REIT
順豐房託

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

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

Stock Code : 2191

GLOBAL OFFERING

Managed by

順豐房託資產管理有限公司
SF REIT Asset Management Limited

Sole Listing Agent

DBS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS   CREDIT SUISSE   J.P.Morgan

IMPORTANT: If you are in any doubt about the contents of this Offering Circular, you should seek independent professional financial advice.

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GLOBAL OFFERING

Number of Units under the Global Offering	**:**	**520,000,000 (subject to the Over-allotment Option)**
Number of Units under the Hong Kong Public Offering	**:**	**52,000,000 (subject to reallocation)**
Number of Units under the International Offering	**:**	**468,000,000 (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$5.16 per Offer Unit, plus brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% (payable in full on application in Hong Kong dollars and subject to refund)**
Stock code	**:**	**2191**

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The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the REIT Manager on the Price Determination Date. The Price Determination Date is expected to be on or about Monday, 10 May 2021, and in any event, not later than Tuesday, 11 May 2021. The Offer Price will not be more than HK$5.16 and is currently expected to be not less than HK$4.68.

The Joint Global Coordinators (on behalf of the Underwriters), with the consent of the REIT Manager, may reduce the number of Units being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Offering Circular (which is HK$4.68 to HK$5.16 per Offer Unit) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published and on the websites of SF REIT at **www. SF-REIT.com** and the Hong Kong Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Before submitting applications for the Hong Kong Public Offering Units, applicants under the Hong Kong Public Offering should note that applications cannot be withdrawn once submitted. However, if the number of Units being offered under the Global Offering and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed with their applications are received. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offering Units" in this Offering Circular.

The Offer Units have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States. The Offer Units are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Offering Circular, including the risk factors set out in the section headed "Risk Factors" in this Offering Circular. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applications for the subscription of, the Hong Kong Public Offering Units, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this Offering Circular. It is important that you refer to that section for further details.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Offering Circular or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This Offering Circular is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of SF REIT at www.SF-REIT.com. If you require a printed copy of this Offering Circular, you may download and print from the website addresses above.

5 May 2021

**IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS**

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Offering Circular or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This Offering Circular is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and the website of SF REIT at www.SF-REIT.com. If you require a printed copy of this Offering Circular, you may download and print from the website addresses above.

To apply for the Hong Kong Public Offering Units, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   i. instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf; or

   ii. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application online via **HK eIPO White Form** service for the Hong Kong Public Offering Units, you may call the enquiry hotline of the Hong Kong Unit Registrar, Tricor Investor Services Limited, at +852 3907 7333 on the following dates:

Wednesday, 5 May 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Thursday, 6 May 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Friday, 7 May 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Saturday, 8 May 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Sunday, 9 May 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Monday, 10 May 2021	**–**	**9:00 a.m. to 12:00 noon**

We will not provide any physical channels to accept any application for the Hong Kong Public Offering Units by the public.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this Offering Circular is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Public Offering Units" in this Offering Circular for further details of the procedures through which you can apply for the Hong Kong Public Offering Units electronically.

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 1,000 Hong Kong Public Offering Units and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Public Offering Units applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offering Units applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offering Units applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offering Units applied for	Amount payable on application *HK$*
1,000	5,212.00	40,000	208,479.89	700,000	3,648,398.12	10,000,000	52,119,973.20
2,000	10,424.00	50,000	260,599.87	800,000	4,169,597.86	15,000,000	78,179,959.80
3,000	15,635.99	60,000	312,719.84	900,000	4,690,797.59	20,000,000	104,239,946.40
4,000	20,847.99	70,000	364,839.81	1,000,000	5,211,997.32	25,000,000	130,299,933.00
5,000	26,059.99	80,000	416,959.79	2,000,000	10,423,994.64	26,000,000*	135,511,930.32
6,000	31,271.99	90,000	469,079.76	3,000,000	15,635,991.96		
7,000	36,483.99	100,000	521,199.73	4,000,000	20,847,989.28		
8,000	41,695.97	200,000	1,042,399.46	5,000,000	26,059,986.60		
9,000	46,907.97	300,000	1,563,599.20	6,000,000	31,271,983.92		
10,000	52,119.97	400,000	2,084,798.93	7,000,000	36,483,981.24		
20,000	104,239.95	500,000	2,605,998.66	8,000,000	41,695,978.56		
30,000	156,359.92	600,000	3,127,198.39	9,000,000	46,907,975.88		

* Maximum number of Hong Kong Public Offering Units you may apply for.

No application for any other number of Hong Kong Public Offering Units will be considered and any such application is liable to be rejected.

Hong Kong Public Offering commences . . . . .9:00 a.m. on Wednesday, 5 May 2021

Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways(2): . . . . .11:30 a.m. on Monday, 10 May 2021

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play Store or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website at **www.hkeipo.hk**

Application lists open(3) . . . . .11:45 a.m. on Monday, 10 May 2021

Latest time for (a) completing payment for the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC(4) . . . . .12:00 noon on Monday, 10 May 2021

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above

Application lists close(3) . . . . .12:00 noon on Monday, 10 May 2021

Expected Price Determination Date(5) . . . . .Monday, 10 May 2021

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering, and the basis of allocations of the Hong Kong Public Offering Units and the final number of Hong Kong Public Offering Units to be published on the websites of SF REIT at **www.SF-REIT.com** and the Hong Kong Stock Exchange at **www.hkexnews.hk**, on or before . . . . Friday, 14 May 2021

(2) Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Public Offering Units – D. Publication of Results" in this Offering Circular from(6) . . . . Friday, 14 May 2021

(3) Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID/ business registration number" function(4)(6) . . . . .Friday, 14 May 2021

Despatch of Unit certificates or deposit of Unit certificates into CCASS and **HK eIPO White Form** e-Auto Refund payment instructions or refund cheques on or before(6)(7) . . . . .Friday, 14 May 2021

Dealings in Units on the Hong Kong Stock Exchange expected to commence at . . . . .9:00 a.m. on Monday, 17 May 2021

Notes:

(1) All dates and times refer to Hong Kong dates and times, except where otherwise stated.

(2) You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal, an announcement of "extreme conditions" by the Government in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 10 May 2021, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Public Offering Units – C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this Offering Circular for further information.

(4) Applicants who apply for Hong Kong Public Offering Units by giving **electronic application instructions** to HKSCC via CCASS or instructing your broker or custodian to apply on your behalf via CCASS should refer to the section headed "How to Apply for Hong Kong Public Offering Units – A. Applications for Hong Kong Public Offering Units – 6. Applying through the CCASS EIPO Service" in this Offering Circular.

(5) The Price Determination Date is expected to be on or around Monday, 10 May 2021. If, for any reason, the Offer Price is not agreed by Tuesday, 11 May 2021 between the REIT Manager and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

(6) If there is a "black" rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or "extreme conditions" in force in Hong Kong from Wednesday, 5 May 2021 to Monday, 17 May 2021 then the day of (i) announcement of the results of allocations under the Hong Kong Public Offering; (ii) despatch of Unit certificates/e-Auto Refund payment instructions/refund checks; and (iii) dealings in the Units on the Hong Kong Stock Exchange may be postponed and an announcement may be made in such event.

(7) Unit certificates are expected to be issued on or before Friday, 14 May 2021, but will only become valid at 8:00 a.m. on Monday, 17 May 2021, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination by the Hong Kong Underwriters" in this Offering Circular has not been exercised. Investors who trade Units on the basis of publicly available allocation details or prior to the receipt of the Unit certificates or prior to the Unit certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions and the procedures for applying for Hong Kong Public Offering Units, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offering Units" in this Offering Circular, respectively.

Page

The following summary aims to provide you with an overview of the information contained in this Offering Circular and should be read in conjunction with the full text of this Offering Circular. As it is a summary only, it does not contain all the information that may be important to you. You should read the whole Offering Circular carefully before deciding to invest in the Units. There are risks involved in any investment. Some of the particular risks involved in investing in the Units are set out in the section headed "Risk Factors" in this Offering Circular, which you should read carefully before you decide to invest in the Units.

In making your investment decision, you should rely on the information contained in this Offering Circular and the ***GREEN*** *Application Form. Neither SF REIT, SFH, SF Holding, SF Fengtai, the REIT Manager, the Trustee, the Underwriters, the Sole Listing Agent nor any of their respective directors, agents, employees or advisers or any other persons involved in the Global Offering has authorised anyone to provide you with information or make any representation that is different from that contained in this Offering Circular.*

Statements contained in this summary that are not historical facts may be forward-looking statements, based on certain reasonable assumptions, expectations and beliefs of the REIT Manager. You are cautioned that there are certain risks and uncertainties associated with SF REIT and the actual results may differ materially from those projected by such forward-looking statements.

A REIT AS AN INVESTMENT VEHICLE

A REIT is a collective investment scheme constituted as a unit trust that invests primarily in income-generating properties and uses the income to provide stable returns to its unitholders. Holding units in a REIT allows investors to share the benefits and risks of owning the properties held by the REIT. An investment in the units of a REIT in Hong Kong is governed primarily by the REIT Code and also the trust deed constituting the REIT and offers the following benefits:

- certainty as to business focus of the REIT, as a REIT does not have complete discretion to diversify outside of the real estate sector or to own significant non-real estate assets;
- a distribution which is required by the REIT Code to be at least 90% of the REIT's audited net income after tax for each financial year, subject to certain adjustments;
- significantly enhanced liquidity in comparison to direct investments in real estate;
- a REIT manager licensed and regulated on an ongoing basis by the SFC; and
- a corporate governance framework, compliance with which is overseen by an independent trustee.

OVERVIEW OF SF REIT

SF REIT is a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO. SF REIT is the first logistics-focused REIT to be listed in Hong Kong. The investment focus of SF REIT shall be income-generating real estate globally, with an initial focus on logistics properties. The three Properties in SF REIT's initial portfolio offer investors direct exposure to modern logistics properties in Hong Kong and the PRC. SF REIT is managed by the REIT Manager whose key investment objectives are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of SF REIT's properties.

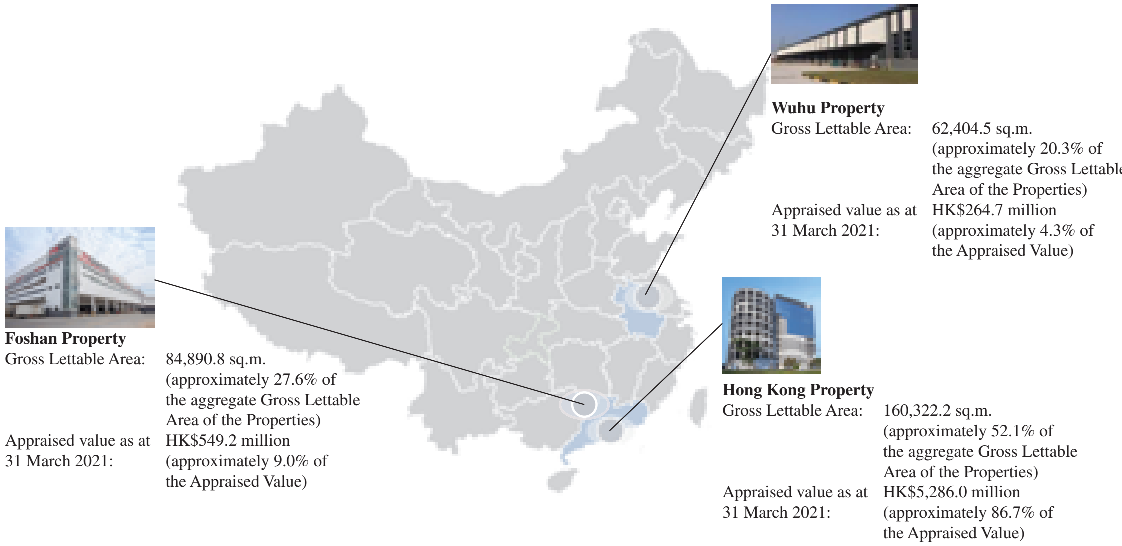
SF REIT's portfolio initially comprises the following three Properties in Hong Kong, Foshan and Wuhu, all of which are modern logistics properties comprising distribution centres equipped with automatic sorting and supply chain support facilities, strategically located within the key logistics hubs and near major airports, seaports, railways, express highways and transportation hubs in Hong Kong and the PRC:

- Hong Kong Property: A 15-storey "ramp-up" modern logistics property completed in 2014 that provides vehicular ramp access to each warehouse floor. Located in Tsing Yi adjacent to Kwai Tsing Container Terminal No. 9 that connects to other business ports in the world, the Hong Kong Property is in close proximity to Hong Kong International Airport, and accessible by major roads and transportation infrastructure such as the Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link;

- Foshan Property: A modern logistics property completed in 2021 and equipped with intelligent technology and built-to-suit facilities, such as automatic sorting and supply chain support facilities. It is strategically located close to Foshan Shadi Airport, Foshan West Railway Station, Guangzhou Railway Station and Guangzhou Baiyun Airport; and

- Wuhu Property: A modern logistics property completed in 2019 and located in the Jiujiang Economic Development Area, being the political, cultural and financial centre of Wuhu and a core logistics cluster in Yangtze River Delta Economic Region, and close to Wuhu East High Speed Railway Station, Wuhu International Cargo Port and Ningwu Highway which connects the north and south parts of the Yangtze River Delta Economic Region.

The following map sets out the location of the Properties:



The Properties had an aggregate Gross Lettable Area of approximately 307,617.5 sq.m. with an Appraised Value of HK$6,099.9 million as at 31 March 2021. The average Occupancy Rate of the Properties as at the Latest Practicable Date was approximately 95.3%.

As at 31 December 2020, the Properties housed a total of 33 tenants, with the top five tenants in terms of total Gross Rental Income (three of whom are connected persons of SF REIT) contributing to approximately 80.1% of the total Gross Rental Income for the month ended 31 December 2020, and SF Connected Tenants contributing to approximately 80.0% of the total Gross Rental Income for the same period. Approximately 90.9% of the tenants (in terms of Gross Lettable Area) are from the logistics sector and the remaining tenants include those from the pharmaceutical, technology and other sectors.

KEY INVESTMENT HIGHLIGHTS OF SF REIT

The REIT Manager believes that SF REIT presents Unitholders with an attractive investment portfolio:

- Prime property portfolio located at strategic locations in Hong Kong and the PRC
- Capitalising on the growth of the Hong Kong and PRC logistics and e-commerce markets
- High-quality and stable tenant base
- Reputable and committed sponsor with extensive network and experience in logistics sector

- Growth potential through future acquisitions of pipeline assets from the SFH Group

- Highly experienced management team with a proven track record

For further details, see the section headed "Key Investment Highlights of SF REIT" in this Offering Circular.

OBJECTIVES AND INVESTMENT STRATEGIES OF SF REIT

The REIT Manager's key objectives for SF REIT are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of SF REIT's properties. The REIT Manager intends to achieve this through holding and investing in high quality income-generating real estate globally, with an initial focus on logistics properties located in Hong Kong and the PRC.

The REIT Manager intends to achieve the abovementioned key objectives by implementing the following strategies:

- **Asset management strategy**: To proactively manage SF REIT's business and operational performance, including optimising occupancy and lease renewal rates, to achieve higher revenue growth and diversified income stream across geographies and asset classes.

- **Investments and acquisition strategy**: To pursue acquisition opportunities with income and capital growth potential, whether such opportunities are derived from the SFH Group or third parties, to provide sustainable returns to the Unitholders and enhance asset value.

- **Property development strategy**: To undertake Property Development and Related Activities that are value enhancing to the existing portfolio and may undertake re-development activities in respect of its existing properties if necessary, to cater for key tenants' operational needs and specifications.

- **Capital and risk management strategy**: To maintain a strong balance sheet by optimising SF REIT's capital structure through the management of SF REIT's cost of debt financing and interest rate exposure. Prudent cash management to maintain ample liquidity positions as well as financing capabilities to capitalise on strategic opportunities when they arise.

For further details, please refer to the section headed "Strategy" in this Offering Circular.

SUMMARY INFORMATION OF THE PROPERTIES AS AT 31 DECEMBER 2020

Asia Logistics Hub – SF Centre (亞洲物流中心-順豐大廈) (the "Hong Kong Property")	
Address	36 Tsing Yi Hong Wan Road, Tsing Yi, New Territories, Hong Kong
Description 	The Hong Kong Property is a 15-storey (plus one Basement Floor) ramp-up modern logistics property which comprises: (a) a distribution centre equipped with automatic sorting and supply chain support facilities; (b) carpark spaces and warehouses; and (c) ancillary offices
Year of completion[1]	2014
Expiry of government lease[2]	13 January 2061
Occupancy Rate	93.6% As at the Latest Practicable Date: 92.0%
Average Monthly Rental per Leased Square Metre (for the year ended 31 December 2020)	HK$104.9
Gross Floor Area	97,181.3 sq.m.
Gross Lettable Area[3]	160,322.2 sq.m.
Number of tenants	10
Number of leases	21[4]
Contribution of the top five tenants	Gross Lettable Area: 126,851.7 sq.m. % of total Gross Lettable Area: 79.1% % of total monthly Gross Rental Income for the month ended 31 December 2020: 87.7%
Contribution of the SF Connected Tenants	% of total Gross Lettable Area: 75.9% % of total monthly Gross Rental Income for the month ended 31 December 2020: 76.9%
Appraised Value[5]	HK$5,286.0 million

Notes:

(1) Year of completion refers to the year in which the Occupation Permit in respect of the Hong Kong Property was issued.

(2) For further details, please refer to the section headed "The Properties and Business – Compliance with Paragraph 7.7 of the REIT Code" in this Offering Circular.

(3) In Hong Kong, Gross Floor Area is computed as excluding certain common areas such as driveways and carparks. However, the common area is included in the computation of Gross Lettable Area. Hence, the Gross Lettable Area is higher than Gross Floor Area.

(4) The number of leases exceeds the number of tenants as some tenants enter into more than one lease for different units in the Hong Kong Property.

(5) As determined by the Independent Property Valuer in its valuation report dated 31 March 2021 (see Appendix IV to this Offering Circular).

Foshan Guicheng Fengtai Industrial Park (佛山桂城豐泰產業園) (the "Foshan Property")	
Address	Northern side of Guanli Road, Nanhai District, Foshan City, Guangdong Province, the PRC
Description 	The Foshan Property is a modern logistics property which comprises: (a) a ramp-up three-storey distribution centre; and (b) an ancillary building
Year of completion[(1)]	2021
Expiry of land use right[(2)]	20 July 2049
Occupancy Rate	100% As at the Latest Practicable Date: 100%
Average Monthly Rental per Leased Square Metre (for the year ended 31 December 2020)	HK$36.8 (equivalent to RMB31.0)
Gross Floor Area	82,552.2 sq.m.
Gross Lettable Area[(3)]	84,890.8 sq.m.
Number of tenants	One
Number of leases	One
Contribution of the top five tenants	Gross Lettable Area: 84,890.8 sq.m. % of total Gross Lettable Area: 100% % of total monthly Gross Rental Income for the month ended 31 December 2020: 100%
Contribution of the SF Connected Tenants	% of total Gross Lettable Area: 100% % of total monthly Gross Rental Income for the month ended 31 December 2020: 100%
Appraised Value[(4)]	HK$549.2 million (equivalent to RMB464.2 million)

Notes:

(1) Year of completion refers to the year in which the real estate rights certificate in respect of the Foshan Property was obtained.

(2) For further details, please refer to the section headed "The Properties and Business – Compliance with Paragraph 7.7 of the REIT Code" in this Offering Circular.

(3) The Gross Lettable Area of the Foshan Property includes (i) area 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. Hence, the Gross Lettable Area is higher than Gross Floor Area.

(4) As determined by the Independent Property Valuer in its valuation report dated 31 March 2021 (see Appendix IV to this Offering Circular).

Wuhu Fengtai Industrial Park (蕪湖豐泰產業園) (the "Wuhu Property")	
Address	No. 61, Longteng Road, Jiujiang District, Wuhu City, Anhui Province, the PRC
Description 	The Wuhu Property is a modern logistics property which comprises: (a) two single-storey high standard warehouses; (b) a two-storey distribution centre equipped with automatic sorting and supply chain support facilities; (c) a research and development building; and (d) two ancillary buildings
Year of completion(1)	2019
Expiry of land use right(2)	20 January 2066
Occupancy Rate	98.4% As at the Latest Practicable Date: 97.2%
Average Monthly Rental per Leased Square Metre (for the year ended 31 December 2020)	HK$26.9 (equivalent to RMB22.7)
Gross Floor Area	62,304.2 sq.m.
Gross Lettable Area(4)	62,404.5 sq.m.
Number of tenants	22
Number of leases	32(3)
Contribution of the top five tenants	Gross Lettable Area: 58,427.3 sq.m. % of total Gross Lettable Area: 93.6% % of total monthly Gross Rental Income for the month ended 31 December 2020: 96.1%
Contribution of the SF Connected Tenants	% of total Gross Lettable Area: 68.0% % of total monthly Gross Rental Income for the month ended 31 December 2020: 78.2%
Appraised Value(5)	HK$264.7 million (equivalent to RMB223.7 million)

Notes:

(1) Year of completion refers to the year in which the real estate rights certificate in respect of the Wuhu Property was obtained.

(2) For further details, please refer to the section headed "The Properties and Business – Compliance with Paragraph 7.7 of the REIT Code" in this Offering Circular.

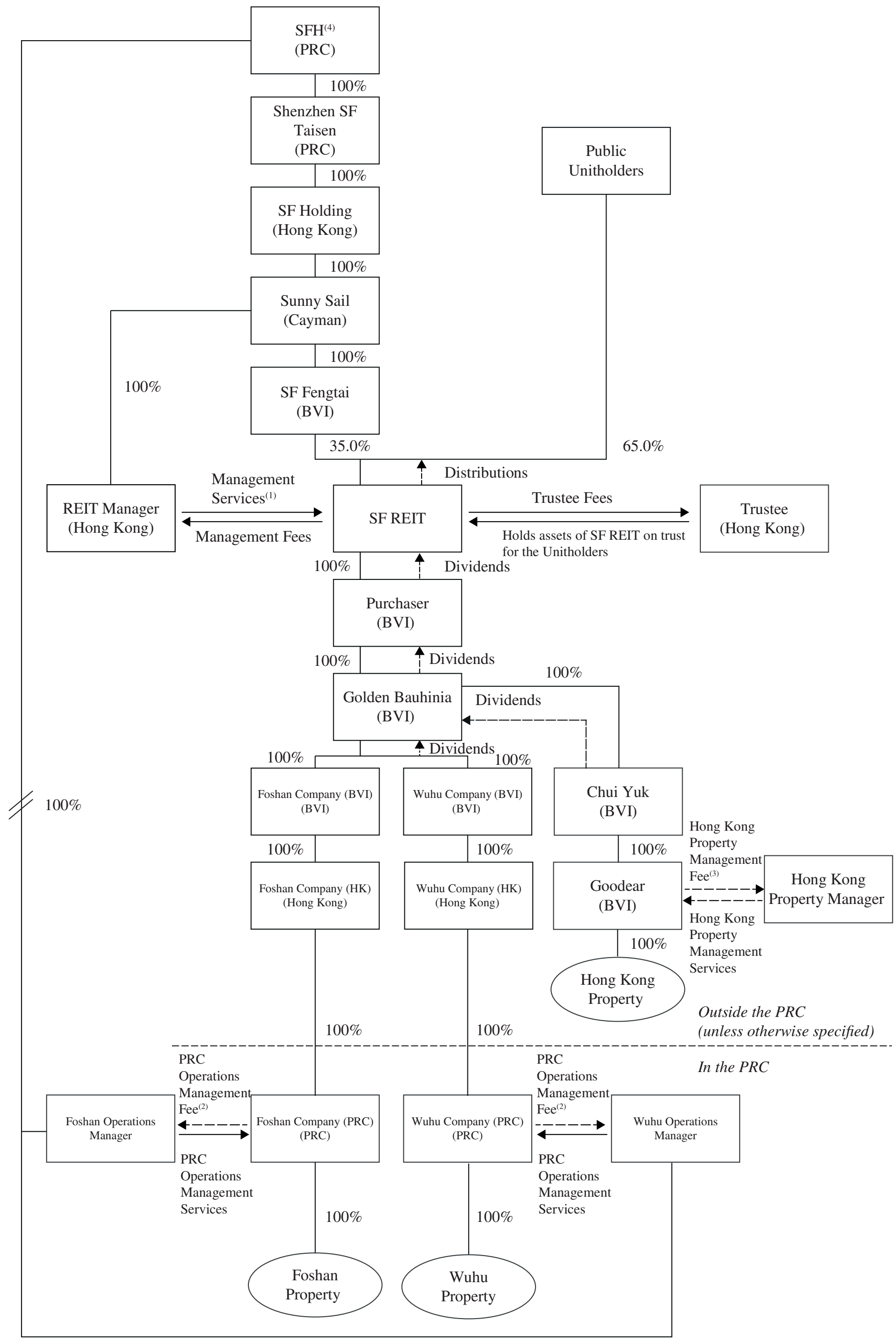
(3) The number of leases exceeds the number of tenants as some tenants enter into more than one lease for different units in the Wuhu Property.

(4) The Gross Lettable Area of the Wuhu Property includes area 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. Hence, the Gross Lettable Area is higher than Gross Floor Area.

(5) As determined by the Independent Property Valuer in its valuation report dated 31 March 2021 (see Appendix IV to this Offering Circular).

OVERVIEW OF SF REIT'S STRUCTURE

The following diagram depicts the ownership structure of SF REIT and the Properties (if the Over-allotment Option is not exercised), and the primary structural and/or contractual relationships among SF REIT, the Unitholders, the REIT Manager, the Trustee, the Hong Kong Property Manager and the PRC Operations Managers immediately after completion of the Asset Injection and upon completion of the Global Offering.



"//" indicates indirect ownership

Notes:

(1) Pursuant to the Trust Deed, the REIT Manager will manage SF REIT and will receive management fees from SF REIT. Please refer to the section headed "The REIT Manager – Further Details Regarding the REIT Manager – Fees, Costs and Expenses of the REIT Manager" in this Offering Circular for further details.

(2) Pursuant to the PRC Operations Management Agreements, the PRC Operations Managers will provide (by itself or outsourcing) operations and property management services in respect of the PRC Properties including, among other things, leasing, tenant management services, daily maintenance and financial management services, and will receive PRC Operations Management Fee from the PRC Property Companies. Please refer to the sections headed "The PRC Operations Managers and the Hong Kong Property Manager – The PRC Operations Managers – The PRC Operations Management Agreements" and "Connected Party Transactions – Continuing Connected Party Transactions – Non-Exempt Continuing Connected Party Transactions with SF Connected Persons – (2) PRC Operations Management Agreements" in this Offering Circular for further details.

(3) Pursuant to the Hong Kong Property Management Agreement, the Hong Kong Property Manager will provide (by itself or outsourcing) property management services such as, among other things, daily maintenance, cleaning and security services, contractor management, tenant management, financial management and filing and records management services in respect of the Hong Kong Property, and will receive Hong Kong Property Management Fee from Goodear. Please refer to the section headed "The PRC Operations Managers and the Hong Kong Property Manager – The Hong Kong Property Manager – The Hong Kong Property Management Agreement" in this Offering Circular for further details.

(4) As at the Latest Practicable Date, SFH was owned as to 59.3% by Mingde Holding, which was owned as to 99.9% by Mr. WANG Wei. As such, Mr. WANG Wei owns interests in the Properties indirectly through various companies shown in the diagram.

THE REIT MANAGER

The REIT Manager was incorporated in Hong Kong on 23 October 2020 for the sole purpose of managing the assets of SF REIT. The REIT Manager is a direct wholly-owned subsidiary of Sunny Sail and an indirect wholly-owned subsidiary of SFH.

The REIT Manager is licensed by the SFC to conduct the regulated activity of asset management. The REIT Manager is responsible for the overall management of SF REIT and ensuring compliance with the applicable provisions of the REIT Code, the SFO, the Listing Rules, the Trust Deed, all relevant contracts and all other relevant laws, rules and regulations.

For further details on the REIT Manager, see the section headed "The REIT Manager" in this Offering Circular.

THE TRUSTEE

The trustee of SF REIT is DB Trustees (Hong Kong) Limited. The Trustee is a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

The Trustee has the fiduciary duty to hold assets of SF REIT in trust for the benefits of the Unitholders, and to oversee the activities of the REIT Manager for compliance with the relevant constitutive documents of, and relevant regulatory requirements applicable to, SF REIT. This includes ensuring that all investment activities carried out by the REIT Manager are in line with the investment objective and policy of SF REIT and the constitutive documents of SF REIT, and are in the interest of the Unitholders.

For details of the Trustee's obligations under the Trust Deed and the REIT Code, see the section headed "The Trust Deed" in this Offering Circular.

THE PRC OPERATIONS MANAGERS

The PRC Operations Managers are Foshan Fengyutai Industrial Park Operation Management Co., Ltd.* (佛山市豐預泰產業園運營管理有限公司) and Hefei Jietai Enterprise Management Co., Ltd.* (合肥市捷泰企業管理有限公司), which were established in the PRC on 4 January 2018 and 8 April 2019, respectively. They are both indirect wholly-owned subsidiaries of SFH and hence connected persons of SF REIT.

Pursuant to the PRC Operations Management Agreements, the PRC Operations Managers will provide (by itself or outsourcing) operations and property management services in respect of the PRC Properties including, among other things, leasing, tenant management services, daily maintenance and financial management services, and will receive PRC Operations Management Fee from the PRC Property Companies.

For details of the PRC Operations Management Agreements and the PRC Operations Managers, please refer to the sections headed "The PRC Operations Managers and the Hong Kong Property Manager – The PRC Operations Managers" and "Connected Party Transactions – Continuing Connected Party Transactions – Non-Exempt Continuing Connected Party Transactions with SF Connected Persons – (2) PRC Operations Management Agreements" in this Offering Circular.

THE HONG KONG PROPERTY MANAGER

The Hong Kong Property Manager, Savills Property Management Limited, is a reputable professional property management company and an independent third party to SF REIT. It has been managing the Hong Kong Property since 2017 and will continue to provide the Hong Kong Property Management Services to Goodear in respect of the Hong Kong Property after Listing.

Pursuant to the Hong Kong Property Management Agreement, the Hong Kong Property Manager will provide (by itself or outsourcing) property management services such as, among other things, daily maintenance, cleaning and security services, contractor management, tenant management, financial management and filing and records management services in respect of the Hong Kong Property, and will receive Hong Kong Property Management Fee from Goodear.

For details of the Hong Kong Property Management Agreement and the Hong Kong Property Manager, please refer to the section headed "The PRC Operations Managers and the Hong Kong Property Manager – The Hong Kong Property Manager" in this Offering Circular.

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of SF REIT in a transparent manner and with built-in checks and balances. The Trustee and the REIT Manager are independent of each other, with their respective roles in relation to SF REIT set out in the REIT Code and the Trust Deed. The REIT Manager is required under the REIT Code to act in the best interests of Unitholders, to whom the Trustee also owes fiduciary duties.

The Board comprises nine members, four of whom are independent non-executive Directors.

Policies and procedures have been established for, amongst other things, monitoring and supervising dealings in Units by the Directors and the REIT Manager. For further details, see the section headed "Corporate Governance" in this Offering Circular.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information on a historical basis for the Predecessor Group.

The combined balance sheets as at 31 December 2018, 2019 and 2020 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 have been derived from the Predecessor Group's financial information and related notes thereto, which have been included in Appendix I to this Offering Circular. Such financial information and related notes have been prepared in accordance with IFRS and have been audited by PricewaterhouseCoopers, the reporting accountant of the Predecessor Group.

The summary financial information for the Predecessor Group included below and set forth in Appendix I to this Offering Circular is not indicative of SF REIT's future performance. You should read the following summary of financial information together with the sections headed "The Properties and Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Unaudited Pro Forma Financial Information" in this Offering Circular and the historical financial information of the Predecessor Group and related notes thereto set forth in Appendix I to this Offering Circular. For a discussion of SF REIT's future financial condition and results of operations, please refer to the section headed "Management's Discussion and Analysis of Future Operations" in this Offering Circular.

COMBINED INCOME STATEMENTS

	Year ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	255,838	269,303	279,000
Property operating expenses	(61,813)	(61,961)	(62,759)
Net property income	194,025	207,342	216,241
General and administrative expenses	(3,995)	(3,082)	(3,492)
Fair value changes on investment properties	227,400	80,770	(53,839)
Net reversal of/(provision for) impairment losses for financial assets	35	(12)	(4)
Other income, net	5,624	936	1,708
Operating profit	423,089	285,954	160,614
Finance income	589	124	136
Finance costs	(62,660)	(72,165)	(118,425)
Profit before income tax	361,018	213,913	42,325
Income tax expense	(63,020)	(39,113)	(15,445)
Profit for the year attributable to owners of the Company	297,998	174,800	26,880

COMBINED BALANCE SHEETS

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Investment properties	5,849,500	6,033,600	6,093,600
Property and equipment	12,333	11,355	14,722
Land use rights	669	641	668
Intangible assets	22	14	406
Prepayments for construction	1,491	–	–
	5,864,015	6,045,610	6,109,396
Current assets			
Trade receivables	955	1,183	1,693
Prepayments and other receivables	22,130	21,191	22,300
Amounts due from related parties	89	310	4,674
Cash and cash equivalents	23,963	5,732	24,747
	47,137	28,416	53,414
Total assets	5,911,152	6,074,026	6,162,810
EQUITY			
Equity attributable to owners of the Company			
Combined capital	215,381	250,568	–
Other reserves	1,621,329	1,612,844	1,527,668
Retained earnings	484,242	659,042	685,442
Total equity	2,320,952	2,522,454	2,213,110
LIABILITIES			
Non-current liabilities			
Borrowings	–	74,789	–
Amounts due to related parties	–	3,936	2,681,153
Deferred tax liabilities	393,016	431,903	447,478
Deferred government grants	30,089	28,834	30,077
	423,105	539,462	3,158,708
Current liabilities			
Borrowings	–	3,971	–
Trade and other payables	124,553	141,809	102,650
Amounts due to related parties	3,042,542	2,866,330	686,393
Current tax liabilities	–	–	1,949
	3,167,095	3,012,110	790,992
Total liabilities	3,590,200	3,551,572	3,949,700
Total equity and liabilities	5,911,152	6,074,026	6,162,810
Net current liabilities	(3,119,958)	(2,983,694)	(737,578)
Total assets less current liabilities	2,744,057	3,061,916	5,371,818

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	210,939	222,039	213,840
Net cash used in investing activities	(211,792)	(96,124)	(117,364)
Net cash used in financing activities	(68,179)	(143,974)	(78,786)
Net (decrease)/increase in cash and cash equivalents	(69,032)	(18,059)	17,690
Cash and cash equivalents at beginning of the year	93,943	23,963	5,732
Currency translation differences	(948)	(172)	1,325
Cash and cash equivalents at end of the year	23,963	5,732	24,747

PROFIT FORECAST FOR THE PERIOD FROM THE LISTING DATE TO 31 DECEMBER 2021

The REIT Manager forecasts that, in the absence of unforeseen circumstances and on the bases and assumptions set out in the section headed "Profit Forecast for the Profit Forecast Period" in this Offering Circular, the profit attributable to Unitholders and the distributable income of SF REIT for the period from the Listing Date to 31 December 2021 (being the Profit Forecast Period) will be not less than approximately HK$112.4 million and approximately HK$137.9 million, respectively.

The profit forecast assumes that the anticipated Listing Date will be Monday, 17 May 2021 and will vary if the actual Listing Date is different.

The following table sets forth the summarised Profit Forecast of SF REIT for the Profit Forecast Period.

	For the Profit Forecast Period (Forecast)
	HK$'000
Revenue	236,563
Property operating expenses	(49,514)
Net property income	187,049
General and administrative expenses	(4,797)
Fair value changes on investment properties	–
Net provision for/(reversal of) impairment losses for financial assets	–
Other income, net	488
REIT Manager's fee	(16,702)
Trustee's fee	(758)

	For the Profit Forecast Period (Forecast) *HK$'000*
Operating profit	**165,280**
Finance costs, net	(24,431)
Profit before income tax	**140,849**
Income tax expense	(28,448)
Profit for the period	**112,401**
Adjustments[1]	25,499
Distributable income for the Profit Forecast Period	**137,900**

	For the Profit Forecast Period	
	Minimum Offer Price	**Maximum Offer Price**
Offer price (HK$)	4.68	5.16
Assumed number of Units outstanding as of 31 December 2021 for the Profit Forecast Period (in thousand)	800,000	800,000
Forecast DPU (HK$)[1]	0.1724	0.1724
Annualised DPU (HK$)	0.2747	0.2747
Forecast annualised DPU yield[2]	5.9%	5.3%

Notes:

(1) Forecast DPU is calculated from profit for the Profit Forecast Period of HK$112,401,000 as adjusted by HK$960,000 in respect of difference between financial costs and interest payable in accordance with contractual obligations, HK$260,000 in respect of the upfront debt coordination fee amortisation, HK$599,000 in respect of depreciation and amortisation, HK$(415,000) in respect of amortisation of government grants, HK$9,832,000 in respect of deferred taxation on investment properties and HK$14,263,000 in respect of historical tax losses utilised during the Profit Forecast Period.

(2) The annualised forecast distribution yields are provided for illustrative purpose only. The annualised actual distribution yield may differ from the annualised forecast distribution yield based on the forecast DPU for the Profit Forecast Period. The annualised forecast distribution yields have been calculated with the reference to the Minimum Offer Price and Maximum Offer Price only. Such yield will vary for investors who purchase Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price or for investors who do not hold Units for the entire Profit Forecast Period.

THE ASSET INJECTION CONSIDERATION AND THE APPRAISED VALUE OF THE PROPERTIES

The amount of Asset Injection Consideration payable to SF Fengtai (as seller) for the acquisition of the Golden Bauhinia Share and the assignment of the Golden Bauhinia Payables is dependent on the final Offer Price. The following table illustrates the impact of the Offer Price on the Illustrative Adjusted Consideration and compares such with the Appraised Value of the Properties, respectively:

	Based on the Minimum Offer Price of HK$4.68	**Based on the Maximum Offer Price of HK$5.16**
Illustrative Adjusted Consideration[1] (HK$ million)	5,715.2	6,094.7
Appraised Value of the Properties (HK$ million)	6,099.9	6,099.9
Discount to Appraised Value of the Properties	6.3%	0.1%

Note:

(1) The "**Illustrative Adjusted Consideration**" represents the part of the Asset Injection Consideration that is attributable only to the Properties. For the purpose of a like-for-like comparison with the Appraised Value (which only concerns the Properties), the Illustrative Adjusted Consideration does not take into account the impact of other assets and liabilities of the Predecessor Group on the Asset Injection Consideration. Specifically: (i) HK$2,905.6 million, being: (a) the Adjusted NAV of Golden Bauhinia as at 31 December 2020 determined based on the Accountant's Report (being negative HK$734.6 million); minus (b) the outstanding amount under the Chui Yuk Promissory Note (being HK$2,171.0 million); and (ii) the Final Payment, are disregarded from the calculation of the Illustrative Adjusted Consideration.

CERTAIN FEES AND CHARGES

The following is a summary of certain fees and charges payable by SF REIT in connection with the establishment and ongoing management of SF REIT:

Payable by SF REIT	**Amount Payable**
(a) REIT Manager's fees[1]	**Base Fee** 10.0% per annum of the Base Fee Distributable Income, payable on a semi-annual basis. The first Base Fee shall be payable for the period from the Listing Date to 30 June 2021.

Note:

(1) The REIT Manager may elect at its sole discretion to receive the Base Fee and/or the Variable 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 and, if there is no such prior calendar year election by the REIT Manager, the Base Fee and/or the Variable Fee shall be paid in cash. Any Acquisition Fee and/or Divestment Fee may be paid to the REIT Manager in the form of cash or, at the election of the REIT Manager at such time, entirely or partly in the form of Units.

Payable by SF REIT	Amount Payable
	Variable Fee 25.0% per annum of the difference in DPU in a financial year compared to the preceding financial year multiplied by the weighted average number of Units in issue for such financial year, payable on an annual basis. For the purpose of calculating the Variable Fee only, the DPU shall be calculated before accounting for the Variable Fee but after accounting for the Base Fee for the relevant financial year. No Variable Fee shall accrue or be payable for the period from the Listing Date to 31 December 2021. The Variable Fee for the year ending 31 December 2022 will be calculated by reference to the annualised actual DPU for the period from the Listing Date to 31 December 2021 and actual DPU for the year ending 31 December 2022. **Acquisition Fee** (i) Not exceeding the rate of 0.5% of the acquisition price of each real estate acquired from the SFH Group; and (ii) not exceeding 1.0% of the acquisition price of each real estate acquired from third parties other than the 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). **Divestment Fee** Not exceeding the rate of 0.5% of the sale price of each real estate sold or divested, directly or indirectly, by SF REIT (pro-rated if applicable to the proportion of SF REIT's interest in the real estate sold).

Payable by SF REIT	Amount Payable
(b) Trustee's fees	Currently 0.0150% to 0.0250% per annum of the value of the Deposited Property payable semi-annually in arrears, which may be adjusted from time to time but subject to a minimum of HK$66,000 per month and a maximum cap of 0.06% per annum of the value of the Deposited Property. Based on the value of the Deposited Property as at 31 December 2020, the rate of the Trustee's fee in respect of the Deposited Property would be 0.0200% per annum of the Value of the Deposited Property. SF REIT will also pay to the Trustee a one-off acceptance fee of HK$180,000 upon Listing. The Trustee may also charge SF REIT additional fees on a time-cost basis at a rate to be agreed with the REIT Manager from time to time if the Trustee were to undertake duties that are of an exceptional nature or otherwise outside the scope of its normal duties in the ordinary course of normal day-to-day business operation of SF REIT, such as acquisition or divestment of investments by SF REIT after Listing.
(c) PRC Operations Managers' fees	An amount equivalent to 2% of the sum of the monthly rental income and property management fee (inclusive of VAT) of the respective PRC Property Companies, payable on a monthly basis.
(d) Hong Kong Property Manager's fees	A monthly fee which was determined based on public tender for the Hong Kong Property Management Services rendered with respect to the Hong Kong Property.

The following is a summary of certain fees and charges payable by Unitholders, in HK$, in connection with the subscription or purchase of Units in the Global Offering:

Payable by Unitholders directly	Amounts Payable[1]
Brokerage	1.0% of Maximum Offer Price
Hong Kong Stock Exchange trading fee	0.005% of Maximum Offer Price
SFC transaction levy	0.0027% of Maximum Offer Price

Note:

(1) Subject to refund if the Offer Price is lower than the Maximum Offer Price.

USE OF PROCEEDS

The REIT Manager estimates that the total proceeds from the Global Offering will be approximately HK$2,683.2 million (based on the Maximum Offer Price) or approximately HK$2,433.6 million (based on the Minimum Offer Price) assuming the Over-allotment Option is not exercised.

The following table sets forth the sources of SF REIT's funds following the completion of the Global Offering and the intended application of those funds (assuming that the Over-allotment Option is not exercised):

	Based on the Minimum Offer Price of HK$4.68	Based on the Maximum Offer Price of HK$5.16
	(HK$ million)	
Sources of funds:		
520,000,000 Units issued pursuant to the Global Offering	2,433.6	2,683.2
280,000,000 Units issued to SF Fengtai	1,310.4	1,444.8
Bank Loan Drawdown Amount	1,750.0	1,750.0
Total	5,494.0	5,878.0
Uses of funds:		
Acquisition of Predecessor Group[1]	5,350.3	5,729.7
Transaction Costs[2]	88.7	93.3
General corporate purposes	55.0	55.0
Total	5,494.0	5,878.0

Notes:

(1) The proceeds to be used for the acquisition of Predecessor Group will be applied to settle the Golden Bauhinia Promissory Note and the Final Payment (if applicable) pursuant to the Asset Injection, and to settle the outstanding consideration for: (i) the transfer of the 99% equity interests in Foshan Company (PRC) and Wuhu Company (PRC), which was completed in November 2020; and (ii) the transfer of the all the issued share of Chui Yuk to Golden Bauhinia, which was completed on 29 April 2021.

(2) Transaction costs comprise expenses relating to the Global Offering, which include underwriting commissions payable to the Underwriters (based on the final size of Global Offering), debt-related costs, legal fees, printing costs, auditors' fees, listing costs, advertisement and marketing related expenses (including roadshow expenses) and other administrative expenses.

LISTING EXPENSES

All incremental costs that are directly attributable to the issue of units are directly deducted from equity. The total issue cost for the Listing is estimated to be approximately HK$88.9 million assuming an Offer Price of HK$4.92 per Offer Unit (which is the mid-point of the Offer Price Range), which includes underwriting commission and other legal and professional fees directly related to the Listing, assuming the Over-allotment Option is not exercised. Of the total issue cost, the portion to be charged as administrative expenses to SF REIT's profit and loss accounts is approximately HK$18.0 million and the portion to be capitalised is approximately HK$70.9 million. The above estimates are for reference purpose only, and the actual amounts may differ from such estimates. As at 31 December 2020, issue cost of approximately HK$4.5 million was already paid by the Predecessor Group on behalf of SF REIT and was recorded as other receivables due from related parties by the Predecessor Group.

RISK FACTORS

There are risks associated with any investment. These risks include (i) risks relating to SF REIT; (ii) risks relating to the Properties; (iii) risks relating to the real estate industry and overseas investments into the PRC; and (iv) risks relating to an investment in the Units. Some of the key risks are set out below:

Risks Relating to SF REIT

- SF REIT presently relies on the SF Connected Tenants for a significant portion of its income. SF REIT's income and distributions may be adversely affected if (a) it is unable to renew the leases with the SF Connected Tenants and secure a replacement lessee on similar or better terms or at all; or (b) SF Holding and/or Shenzhen SF Taisen fail to meet their payment obligations under the SF Lease Guarantees in the event an SF Connected Tenant breaches the relevant SF Lease;

- adverse changes in global and local economic, political and social conditions in Hong Kong and the PRC could affect SF REIT's business, financial condition, results of operations and cash flow;

- the COVID-19 pandemic and the occurrence of other natural or man-made disaster could present challenges to SF REIT; and

- SF REIT's results of operations may be adversely affected if any of the REIT Manager, the Hong Kong Property Manager or the PRC Operations Managers fail to operate and manage the Properties in an effective and efficient manner or the Hong Kong Property Management Agreement or any of the PRC Operations Management Agreements is terminated before expiration or not renewed upon expiration.

Risks Relating to the Properties

- the Hong Kong Property Non-Conforming Matters may subject SF REIT to enforcement actions by the Hong Kong Government, which may adversely impact the operation and financial performance of SF REIT;

- there are discrepancies between the Foshan Property Designated Uses and the actual use of the Foshan Property;

- failure to fulfil certain operating performance targets prescribed under the Wuhu Land Grant Contracts and/or the Wuhu Project Investment Contracts may affect the business, financial condition and results of operations of SF REIT;

- the Properties are subject to risks of non-renewal of expiring government lease or land use rights; and

- the land which the PRC Properties occupy or parts thereof may be resumed compulsorily by the PRC Government where a legitimate public interest for requisition of such land is established and any compensation paid to SF REIT may not be adequate, and the Hong Kong Property may be re-entered by the Hong Kong Government where there is a breach of the terms of the Government Grant.

Risks Relating to the Real Estate Industry and the Overseas Investments into the PRC

- SF REIT may be adversely affected by the illiquidity of property;

- the real estate industry may be adversely affected by changes in laws and regulations in the future;

- uncertainties with respect to the PRC legal system could have a material adverse effect on SF REIT and limit the legal protection available to investors; and

- the offshore holding companies and SF REIT may be classified as a "resident enterprise" for the purposes of PRC Enterprise Income Tax, which could result in unfavourable PRC tax consequences for SF REIT and its Unitholders.

Risks Relating to an Investment in the Units

- the Units have never been publicly traded and the Global Offering may not result in an active or liquid market for the Units; and

- SF REIT cannot presently be privatised by way of the scheme of arrangement or compulsory acquisition mechanisms provided under the Companies Ordinance.

For further information, please refer to the section headed "Risk Factors" in this Offering Circular. Investors should read that entire section carefully before they decide to invest in the Units.

NO MATERIAL ADVERSE CHANGE

Directors have confirmed that, since 31 December 2020 and up to the date of this Offering Circular, there was no material adverse change in SF REIT's financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information in the Accountant's Report included as Appendix I to this Offering Circular.

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Accountant's Report"	means the accountant's report as set out in Appendix I to this Offering Circular.
"Acquisition Fee"	means, as used in the Trust Deed, the acquisition fee (i) not exceeding 0.5% of the acquisition price of any real estate acquired from SFH Group; and (ii) not exceeding 1.0% of the acquisition price of any 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) payable to the REIT Manager pursuant to the Trust Deed.
"Acquisition Value"	has the meaning set out in the section headed "Material Agreements and Other Documents – Sale and Purchase Deed – Consideration" in this Offering Circular.
"Add-on Services"	has the meaning set out in the section headed "The Properties and Business – Tenant Profile of the Properties – Other key terms of the SF Leases – Add-on Services" in this Offering Circular.
"Adjusted NAV of Golden Bauhinia"	an amount equal to the net asset value of Golden Bauhinia, disregarding certain assets and liabilities stated in the Sale and Purchase Deed, and which shall be agreed or determined in accordance with the Sale and Purchase Deed.
"Adjustments"	has the meaning set out in the section headed "Distribution Policy" in this Offering Circular.
"Administration Committee of Jiujiang Economic Development Area"	means Administration Committee of Jiujiang Economic Development Area (安徽蕪湖鳩江經濟開發區管委會).
"Affected Units"	has the meaning set out in the section headed "The Trust Deed – Deemed Application of Part XV of the SFO" in this Offering Circular.

"Aggregate Development Costs"	means the total of the Property Development Costs and the aggregate contract value relating to any acquisition of uncompleted units in a building by SF REIT.
"Agreed Property Value"	has the meaning set out in the section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.
"Annual Distributable Income"	has the meaning set out in the section headed "Distribution Policy" in this Offering Circular.
"Applicable Rules"	means the SFO, the REIT Code, the Listing Rules and all other law, rules and regulations applicable to SF REIT.
"Appraised Value"	means the value of the Properties as at 31 March 2021, as appraised by the Independent Property Valuer and set out in the Valuation Report.
"Approved Valuer"	means a company or firm appointed in writing by the Trustee in its capacity as trustee of SF REIT to provide a valuation of any Authorised Investment.
"Asset Injection"	means the transactions contemplated under the Sale and Purchase Deed.
"Asset Injection Completion"	means the completion of Asset Injection.
"Asset Injection Completion Date"	means the date of Asset Injection Completion.
"Asset Injection Consideration"	means the Initial Consideration as adjusted by the Final Payment.
"associate"	has the meaning ascribed to it under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code), unless the context otherwise defines.
"Audit Committee"	means the audit committee of the REIT Manager.
"Bank Loan Drawdown Amount"	means the gross amount borrowed by the Purchaser under the Offshore Facility Agreement.

"Banking Ordinance"	means the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified for the time being.
"Base Fee"	means the base fee payable to the REIT Manager on a semi-annual basis under the Trust Deed, being 10.0% per annum of the Base Fee Distributable Income
"Base Fee Distributable Income"	has the meaning set out in the section headed "The REIT Manager – Further Details Regarding the REIT Manager – Base Fee" in this Offering Circular.
"Basement Floor"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Board"	means the board of Directors.
"Borrower"	has the meaning set out in the section headed "Material Agreements and Other Documents – Offshore Facility Agreement" in this Offering Circular.
"Building Authority"	the Building Authority of Hong Kong.
"Building Surveyor"	means Colliers International Agency Limited.
"Buildings Ordinance"	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, modified and supplemented from time to time.
"Bulletin 7"	has the meaning set out in the section headed "Taxation" in this Offering Circular.
"Bulletin 7 Withholding Amount"	has the meaning set out in the section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.
"Bulletin 9"	means the Bulletin on Certain Issues relating to "Beneficial Owners" in Tax Treaties, State Taxation Administration Bulletin 2018 No. 9, issued by the SAT.

"Business Day"	means any day (excluding Saturdays, Sundays, public holidays and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong.
"BVI"	means the British Virgin Islands.
"BVI Companies"	has the meaning set out in the section headed "Taxation – BVI Taxation of SF REIT" in this Offering Circular.
"BVI (PRC Property) Holding Companies"	means, collectively, Foshan Company (BVI) and Wuhu Company (BVI), each a "BVI (PRC Property) Holding Company".
"CCASS"	means the Central Clearing and Settlement System established and operated by HKSCC.
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant.
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant.
"CCASS EIPO"	the application for the Hong Kong Public Offering Units to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation.
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant.
"Chairman"	means the chairman of the Board.
"Chief Executive Officer"	means the chief executive officer of the REIT Manager.
"Chui Yuk"	means Chui Yuk Holdings Limited (翠玉控股有限公司), a BVI business company incorporated in the BVI and the direct owner of Goodear.
"Chui Yuk Promissory Note"	has the meaning set out in the section headed "Reorganisation, Structure and Organisation of SF REIT – Reorganisation" in this Offering Circular.
"Circular 82"	means the Circular on the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as China Tax Resident Enterprises on the Basis of Place of Effective Management, Guo Shui Fa 2009 No.82, issued by the SAT.
"Companies Ordinance"	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified for the time being.
"Completion Statement"	means the completion statement regarding Golden Bauhinia as at the close of business on Determination Date, which will be: (a) prepared by SF Fengtai within two months following the Listing Date; and (b) agreed between SF Fengtai, the Purchaser and the REIT Manager (in its capacity as manager of SF REIT) within ten Business Days following the receipt of the statement by the Purchaser, and failing such agreement, the specified or appointed auditors shall perform agreed procedures or review such completion statement in accordance with the Sale and Purchase Deed.

"connected party rules"	has the meaning set out in the section headed "Connected Party Transactions – Introduction" in this Offering Circular.
"connected person"	has the meaning set out in the REIT Code.
"Consideration Units"	means 280,000,000 Units issued by SF REIT to SF Fengtai on the Asset Injection Completion Date.
"Convertible Instruments"	means any securities convertible or exchangeable into Units, or any options or warrants or similar rights for the subscription or issue of Units (or securities convertible or exchangeable into Units), issued by the REIT Manager on behalf of SF REIT or any Special Purpose Vehicle; and references to an issue of Units "pursuant to" any Convertible Instruments means an issue of Units pursuant to exercise of any conversion, exchange, subscription or similar rights (as the case may be) under the terms and conditions of such Convertible Instruments.
"Cornerstone Investment Agreements"	has the meaning set out in the section headed "Cornerstone Investors" in this Offering Circular, and each a "Cornerstone Investment Agreement".
"Cornerstone Investors"	has the meaning set out in the section headed "Cornerstone Investors" in this Offering Circular, and each a "Cornerstone Investor".
"Cornerstone Placing"	has the meaning set out in the section headed "Cornerstone Investors" in this Offering Circular.
"COVID-19"	means the viral respiratory disease caused by the severe acute respiratory syndrome coronavirus.
"DBS Hong Kong"	has the meaning set out in the section headed "Material Agreements and Other Documents – Offshore Facility Agreement" in this Offering Circular.
"Deed of Right of First Refusal"	has the meaning set out in the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal" in this Offering Circular.

"Deposited Property"	means, as used in the Trust Deed, all of the assets of the Trust, including all its Authorised Investments for the time being held or deemed to be held upon the trusts of the Trust Deed and any interest accruing on subscription monies from the issuance of Units.
"Determination Date"	means the Business Day immediately preceding the Listing Date.
"Directors"	means the directors of the REIT Manager.
"Disclosures Committee"	means the disclosures committee of the REIT Manager.
"distribution yield"	means DPU, on an annualised basis, divided by the market price of a Unit.
"Divestment Fee"	means, as used in the Trust Deed, the divestment fee not exceeding 0.5% of the sale price of any real estate sold or divested directly or indirectly by SF REIT (pro-rated if applicable to the proportion of SF REIT's interest in the real estate sold) payable to the REIT Manager pursuant to the Trust Deed.
"DPU"	means distribution(s) per Unit.
"EIT"	means the PRC enterprise income tax.
"EIT Law"	means the PRC Enterprises Income Tax Law.
"ESG"	has the meaning set out in the section headed "Modifications, Waivers and Licensing Conditions – Issue of Offering Circular in Electronic Form" in this Offering Circular.
"Exempt SF Continuing CPTs"	has the meaning set out in the section headed "Connected Party Transactions – Continuing Connected Party Transactions – Fully Exempt Continuing Connected Party Transactions with SF Connected Persons" in this Offering Circular.
"Final Payment"	has the meaning set out in the section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.

"Force Majeure Event"	has the meaning set out in the section headed "The Properties and Business – Tenant Profile of the Properties – Other key terms of the SF Leases – Force Majeure" in this Offering Circular.
"Foshan Company (BVI)"	means Foshan Industrial Park Limited (佛山產業園有限公司), a BVI business company incorporated in the BVI and the direct sole shareholder of Foshan Company (HK).
"Foshan Company (HK)"	means Foshan Fengtai (Hong Kong) Limited (佛山豐泰(香港)有限公司), a company incorporated in Hong Kong and the direct sole shareholder of Foshan Company (PRC).
"Foshan Company (PRC)"	means Foshan Runzhong Industrial Investment Co., Ltd.* (佛山市潤眾工業投資有限公司), a company established in the PRC and the direct owner of the Foshan Property.
"Foshan Operations Manager"	means Foshan Fengyutai Industrial Park Operation Management Co., Ltd.* (佛山市豐預泰產業園運營管理有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of SFH.
"Foshan Property"	means Foshan Guicheng Fengtai Industrial Park (佛山桂城豐泰產業園), a modern logistics property located at the northern side of Guanli Road, Nanhai District, Foshan City, Guangdong Province, the PRC.
"Foshan Property Designated Building Use"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Foshan Property Designated Land Use"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Foshan Property Designated Uses"	means the Foshan Property Designated Building Use and the Foshan Property Designated Land Use.
"Foshan Property Non-Conforming Matters"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in the Offering Circular.

"Full Will"	means Full Will Corporation Limited (圖展有限公司), a company incorporated in Hong Kong and an independent third party of SF REIT.
"GDP"	means gross domestic product.
"Global Offering"	means the Hong Kong Public Offering and the International Offering.
"Golden Bauhinia"	means Golden Bauhinia Logistics Holdings Limited (金紫荊物流控股有限公司), a BVI business company incorporated in the BVI, and as at the Latest Practicable Date, the direct owner of Foshan Company (BVI) and Wuhu Company (BVI).
"Golden Bauhinia Payables"	means the amount owing from the Predecessor Group to SF Holding that will be assigned by SF Holding to the Purchaser at Asset Injection Completion pursuant to the Sale and Purchase Deed. Such amount is expected to be HK$2,713.1 million immediately prior to Asset Injection Completion, comprising: (a) RMB3.1 million (equivalent to HK$3.7 million), being the amount of consideration paid by SF Holding (for and on behalf of the HK (PRC Property) Holding Companies) for the transfer of 1% of the equity interests in each of the PRC Property Companies by Full Will to each of the HK (PRC Property) Holding Companies; and (b) HK$2,709.4 million, being the amount due from Goodear to SF Holding.
"Golden Bauhinia Promissory Note"	has the meaning set out in the section headed "Reorganisation, Structure and Organisation of SF REIT – Asset Injection" in this Offering Circular.
"Golden Bauhinia Share"	means the sole issued share of Golden Bauhinia.
"Goodear"	means Goodear Development Limited (固特發展有限公司), a BVI business company incorporated in the BVI and the direct owner of the Hong Kong Property.

"Government Grant"	means the Hong Kong Government lease or conditions of exchange (as the case may be) and any variation or amendment thereof under which Goodear holds the Hong Kong Property.
"Greater Bay Area"	means the integrated economic and business hub which comprises the Pearl River Delta, Hong Kong and Macao.
"**GREEN** Application Form(s)"	means the application form(s) to be completed by the **HK eIPO White Form** Service Provider.
"Gross Asset Value of the Deposited Property"	means the total assets as shown in SF REIT's latest published accounts, as adjusted for the amount of any distribution proposed in SF REIT's latest published accounts and any distribution declared since the issuance of SF REIT's latest published accounts and any change in an Approved Valuer's (or, where applicable, a JV Valuer's) determination of the value of SF REIT's properties, based on its valuation report(s) published subsequent to the issuance of SF REIT's latest published accounts.
"HIBOR"	means Hong Kong Interbank Offered Rate.
"**HK eIPO White Form**"	means the application for the Hong Kong Public Offering Units to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or the **IPO App**.
"**HK eIPO White Form** Service Provider"	means the **HK eIPO White Form** service provider as specified in the **IPO App** and the designated website at **www.hkeipo.hk**.
"HK (PRC Property) Holding Companies"	means Foshan Company (HK) and Wuhu Company (HK), each a "HK (PRC Property) Holding Company".
"HKSCC"	means Hong Kong Securities Clearing Company Limited.
"HKSCC Nominees"	means HKSCC Nominees Limited.
"HK$" or "Hong Kong dollars"	means Hong Kong dollars, the lawful currency of Hong Kong.

"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC.
"Hong Kong Government"	means the Government of the Hong Kong Special Administrative Region.
"Hong Kong Property"	means Asia Logistics Hub – SF Centre (亞洲物流中心 – 順豐大廈), a modern logistics property located at 36 Tsing Yi Hong Wan Road, Tsing Yi, New Territories, Hong Kong.
"Hong Kong Property Designated Use"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Hong Kong Property Management Agreement"	means the property management agreement entered into between Goodear and the Hong Kong Property Manager relating to the provision of certain property management services in respect of the Hong Kong Property.
"Hong Kong Property Management Fee"	means the fees payable by Goodear to the Hong Kong Property Manager pursuant to the Hong Kong Property Management Agreement.
"Hong Kong Property Management Services"	means the services provided by the Hong Kong Property Manager to Goodear pursuant to the Hong Kong Property Management Agreement.
"Hong Kong Property Manager"	means Savills Property Management Limited, a company incorporated in Hong Kong and an independent third party of SF REIT.
"Hong Kong Property Non-Conforming Matters"	means, collectively, the Non-Conforming Carpark Matters, the Non-Conforming Office Matters and the Miscellaneous UBW Matters.
"Hong Kong Public Offering"	means the offer of Units to the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in this Offering Circular and the **GREEN** Application Form(s).

"Hong Kong Public Offering Units"	means the 52,000,000 new Units initially being offered by SF REIT pursuant to the Hong Kong Public Offering (subject to reallocation as set out in the section headed "Structure of the Global Offering" in this Offering Circular).
"Hong Kong Stock Exchange"	means The Stock Exchange of Hong Kong Limited or any successor thereto.
"Hong Kong Underwriters"	means the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting – Hong Kong Underwriters" in this Offering Circular.
"Hong Kong Underwriting Agreement"	means the underwriting agreement dated 4 May 2021 relating to the Hong Kong Public Offering and entered into by and among the REIT Manager, SF Holding, SF Fengtai, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed "Underwriting" in this Offering Circular.
"Hong Kong Unit Registrar"	means Tricor Investor Services Limited.
"IFRS"	means International Financial Reporting Standards.
"Illustrative Adjusted Consideration"	has the meaning set out in the section headed "Offering Circular Summary – The Asset Injection Consideration and the Appraised Value of the Properties" in this Offering Circular.
"Independent Property Valuer"	means Jones Lang LaSalle Corporate Appraisal and Advisory Limited.
"Independent Unitholders"	means Unitholders other than those who have a material interest in the relevant transactions within the meaning of the REIT Code.
"Initial Adjustment Sum"	has the meaning set out in the section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.
"Initial Consideration"	has the meaning set out in the section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.

"Initial Term Expiry Date"	has the meaning set out in the section headed "The Properties and Business – Tenant Profile of the Properties – Duration of Leases" in this Offering Circular.
"Interim Distributable Income"	means, for any distribution period, the amount calculated by the REIT Manager (based on the interim unaudited financial statements of SF REIT for that distribution period) as representing the consolidated net profit of SF REIT for that distribution period, after provision for tax, and taking into account the Adjustments and, for the avoidance of doubt, excludes any additional discretionary distributions out of capital.
"International Offering"	means the offer of International Offering Units for cash at the Offer Price solely to institutional, professional and other investors as further set out in the section headed "Structure of the Global Offering" in this Offering Circular.
"International Offering Units"	means the 468,000,000 Units initially available to investors in the International Offering and up to an additional 26,000,000 Units pursuant to the Over-allotment Option.
"International Underwriters"	means the group of underwriters of the International Offering.
"International Underwriting Agreement"	means the underwriting agreement relating to the International Offering expected to be entered into on or around 10 May 2021 by, among others, the REIT Manager, the Joint Global Coordinators and the International Underwriters, as further described in the section headed "Underwriting" in this Offering Circular.
"Investment Committee"	means the investment committee of the REIT Manager.
"IPO"	means Initial Public Offering.
"IPO App"	means the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play Store or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**.

"Joint Bookrunners and Joint Lead Managers"	means DBS Asia Capital Limited, Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited *(in relation to the Hong Kong Public Offering)* and J.P. Morgan Securities plc *(in relation to the International Offering)*.
"Joint Global Coordinators"	means DBS Asia Capital Limited, Credit Suisse (Hong Kong) Limited and J.P. Morgan Securities (Asia Pacific) Limited.
"Joint Venture Entity"	means an entity, partnership or other arrangement in which or through which SF REIT invests in any jointly owned property as permitted under the REIT Code.
"JV Valuer"	means a company or firm appointed in writing by the Joint Venture Entity holding Minority-owned Property to provide a valuation of any Authorised Investment.
"Land Use Grant Rules"	means the Rules Regarding the Grant of State-owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale of the PRC which are effective from 1 November 2007.
"Lapse Event"	has the meaning set out in the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal – Lapse Event" in this Offering Circular.
"LAT"	means Land Appreciation Tax.
"Latest Practicable Date"	means 25 April 2021, being the latest practicable date for the purposes of ascertaining certain information contained in this Offering Circular.
"Licensed Trademarks"	has the meaning set out in the section headed "Material Agreements and Other Documents – Trademark Licence Agreement" in this Offering Circular.
"Licensee"	has the meaning set out in the section headed "Material Agreements and Other Documents – Trademark Licence Agreement" in this Offering Circular.
"Licensors"	has the meaning set out in the section headed "Material Agreements and Other Documents – Trademark Licence Agreement" in this Offering Circular.

"Listing"	means the listing of the Units on the Main Board of the Hong Kong Stock Exchange.
"Listing Agreement"	means the agreement entered into by and among the Trustee, the REIT Manager (as an operator of a collective investment scheme) and the Hong Kong Stock Exchange in relation to the post-regulatory regime applicable to SF REIT.
"Listing Committee"	means the listing committee of the Hong Kong Stock Exchange.
"Listing Date"	means the date, expected to be on 17 May 2021, on which the Units are first listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange.
"Listing Rules"	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.
"Macao"	means Macao Special Administrative Region of the PRC.
"Main Board"	means the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM.
"Management Persons"	has the meaning set out in the section headed "Corporate Governance – Interests of, and Dealings in Units by Directors, the REIT Manager or the Substantial Unitholders" in this Offering Circular.
"Market Consultant"	means Jones Lang LaSalle Corporate Appraisal and Advisory Limited.
"Market Consultant Report"	means the market consultant report prepared by the Market Consultant, as set out in Appendix V to this Offering Circular.
"Market Rental Package"	has the meaning set out in the section headed "The Properties and Business – Tenant Profile of the Properties – Other key terms of the SF Leases – Rent and Rental Deposit" in this Offering Circular.

"Maximum Cap"	has the meaning set out in the section headed "The Trust Deed – Joint Ownership" in this Offering Circular.
"Maximum Offer Price"	means the maximum price of HK$5.16 per Offer Unit payable in full by applicants under the Hong Kong Public Offering (exclusive of brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%).
"Mingde Holding"	means Shenzhen Mingde Holding Development Co., Ltd.* (深圳明德控股發展有限公司), a company established in the PRC and directly holds 59.3% of the equity interests of SFH as at the Latest Practicable Date.
"Minimum Offer Price"	means the minimum price of HK$4.68 per Offer Unit payable in full by applicants under the Hong Kong Public Offering (exclusive of brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%).
"Minority-owned Property"	has the meaning set out in the section headed "The Trust Deed – Joint Ownership" in this Offering Circular.
"Miscellaneous UBW Matters"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Miscellaneous UBWs"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"MOFCOM"	means the Ministry of Commerce of the PRC.
"NAV"	means net asset value, which is calculated as total assets minus total liabilities.
"NDRC"	means the National Development and Reform Commission of the PRC.
"Nomination and Remuneration Committee"	means the nomination and remuneration committee of the REIT Manager.

"Non-Conforming Carpark Matters"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Non-Conforming Office Matters"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Non-exempt SF Continuing CPTs"	has the meaning set out in the section headed "Connected Party Transactions – Continuing Connected Party Transactions – Non-Exempt Continuing Connected Party Transactions with SF Connected Persons" in this Offering Circular.
"Non-qualified Minority-owned Properties"	has the meaning set out in the section headed "The Trust Deed – Joint Ownership" in this Offering Circular.
"Notice on Land Supply"	means the Notice on Problems Regarding Strengthening the Supply and Regulation of Land Used for Real Estates Supply promulgated by the Ministry of Land and Resources on 8 March 2010.
"Occupation Permit"	means the occupation permit No. NT 78/2014(OP) dated 20 October 2014 in respect of the Hong Kong Property.
"Offer Price"	means the final Hong Kong dollar price per Unit (exclusive of brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which the Units are to be issued and allotted pursuant to the Global Offering, to be determined as further set out in the section headed "Structure of the Global Offering – Pricing and Allocation" in this Offering Circular.
"Offer Unit(s)"	means the Hong Kong Public Offering Units and the International Offering Units (including any additional Units sold pursuant to the exercise of the Over-allotment Option).
"Offering Circular"	means this offering circular issued in connection with the initial public offering and listing of the Units on the Main Board of the Hong Kong Stock Exchange.

"Offshore Facility Agreement"	has the meaning set out in the section headed "Material Agreements and Other Documents – Offshore Facility Agreement" in this Offering Circular.
"Offshore Investors"	has the meaning set out in the section headed "Taxation – PRC Taxation of SF REIT" in this Offering Circular.
"Offshore Loans"	has the meaning set out in the section headed "Material Agreements and Other Documents – Offshore Facility Agreement" in this Offering Circular.
"Offshore Mortgage"	has the meaning set out in the section headed "Material Agreements and Other Documents – Offshore Facility Agreement" in this Offering Circular.
"Onshore Facility Agreements"	has the meaning set out in the section headed "Material Agreements and Other Documents – Onshore Facility Agreements" in this Offering Circular.
"Onshore Lender"	has the meaning set out in the section headed "Material Agreements and Other Documents – Onshore Facility Agreements" in this Offering Circular.
"Onshore Loans"	has the meaning set out in the section headed "Material Agreements and Other Documents – Onshore Facility Agreements" in this Offering Circular.
"Ordinary Resolution"	means a resolution of Unitholders proposed and passed by a simple majority of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders registered as holding together not less than 10.0% of Units for the time being in issue.
"Over-allotment Option"	means the option to be granted by SF Fengtai to the International Underwriters pursuant to the International Underwriting Agreement to require SF Fengtai to sell at the Offer Price up to 26,000,000 Units, representing 5% of the total number of Units under the Global Offering, to be offered to investors as part of the International Offering to, among other things, cover the over-allocations of Units, if any.
"PBOC"	means The People's Bank of China.

"Pearl River Delta"	means the economic zone in Guangdong Province comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing of the PRC.
"Percentage Threshold"	has the meaning set out in the section headed "The Trust Deed – Issue of Units and/or Convertible Instruments and Issue Price" in this Offering Circular.
"PRC"	means the People's Republic of China excluding, for the purposes of this Offering Circular only, Hong Kong, Macao and Taiwan.
"PRC GAAP"	means the Generally Accepted Accounting Principles of the PRC.
"PRC Government"	means the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them.
"PRC Legal Advisors"	means King & Wood Mallesons.
"PRC Operations Management Agreement(s)"	means the operations management agreements entered into by each PRC Property Company with its respective PRC Operations Manager relating to the provision of certain operations management services in respect of the relevant PRC Property.
"PRC Operations Management Fee"	has the meaning set out in the section headed "The PRC Operations Managers and the Hong Kong Property Manager – The PRC Operations Managers – The PRC Operations Management Agreements" in this Offering Circular.
"PRC Operations Management Services"	has the meaning set out in the section headed "The PRC Operations Managers and the Hong Kong Property Manager – The PRC Operations Managers – The PRC Operations Management Agreements" in this Offering Circular.

"PRC Operations Managers"	means the Foshan Operations Manager (providing PRC Operations Management Services for the Foshan Property) and the Wuhu Operations Manager (providing PRC Operations Management Services for the Wuhu Property).
"PRC Properties"	means the Foshan Property and the Wuhu Property, and "PRC Property" means any one of them.
"PRC Property Companies"	means the respective direct owners of the PRC Properties, being (i) Foshan Company (PRC) in relation to the Foshan Property; (ii) Wuhu Company (PRC) in relation to the Wuhu Property, and "PRC Property Company" means any one of them.
"PRC TRE"	means a PRC tax resident enterprise.
"Predecessor Companies Ordinance"	means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014.
"Predecessor Group"	means Golden Bauhinia and its subsidiaries whose results of operations are set out in the combined financial statements in Appendix I to this Offering Circular.
"Price Determination Date"	means the date, expected to be on or about 10 May 2021, and in any event, no later than 11 May 2021, on which the Offer Price is determined for the purposes of the Global Offering.
"Profit Forecast Period"	means the period from the Listing Date to 31 December 2021.
"Promotional Expenses"	has the meaning set out in the section headed "Modifications, Waivers and Licensing Conditions – Payment of Promotional Expenses from the Properties of SF REIT – Paragraph 9.13(b) of the REIT Code" in this Offering Circular.
"Properties"	means (i) the Hong Kong Property; (ii) the Foshan Property; and (iii) the Wuhu Property, and "Property" means any one of them.

"Property Companies"	means Goodear and the PRC Property Companies, being the direct owners of the Properties, and "Property Company" means any one of them.
"Property Development and Related Activities"	means the acquisition of uncompleted units in a building by SF REIT and property developments (including both new development projects and re-development of existing real estate held by SF REIT), but does not (for the purpose of determining whether the Property Development Cap has been complied with) include refurbishments, retrofittings and renovations.
"Property Development Cap"	has the meaning set out in the section headed "The Trust Deed – Investment Restrictions" in this Offering Circular.
"Property Development Costs"	means the total project costs borne and to be borne by SF REIT in respect of the Property Development and Related Activities.
"Proportionate Initial Adjustment Sum"	means, in respect of a Property, the proportion of the Initial Adjustment Sum allocated to such Property having regard to its Appraised Value relative to the total Appraised Value of the Properties.
"Public Float Percentage"	has the meaning set out in the section headed "The Trust Deed – Public Float Requirement" in this Offering Circular.
"Purchaser"	means SF Logistics Holdings Limited (順豐物流控股有限公司), a BVI business company incorporated in the BVI and a wholly-owned subsidiary of SF REIT.
"Qualified Minority-owned Property"	has the meaning set out in the section headed "The Trust Deed – Joint Ownership" in this Offering Circular.
"record date"	means, as used in the Trust Deed, the date or dates in respect of each distribution period determined by the REIT Manager for the purpose of determining each Unitholders distribution entitlement.
"Registration Regulations"	means the Land Registration Regulations promulgated by the State Land Administration Bureau on 28 December 1995 and implemented on 1 February 1996.
"Regulation S"	means Regulation S under the U.S. Securities Act.

"REIT"	means real estate investment trust.
"REIT Code"	means the Code on Real Estate Investment Trusts published by the SFC (as amended, supplemented or otherwise modified for the time being) or, for the purpose of the Trust Deed, from time to time, including but not limited to by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC.
"REIT Manager"	means SF REIT Asset Management Limited (順豐房託資產管理有限公司), the manager of SF REIT.
"Relevant Date"	means, as the case may be, the date of the relevant agreement or other instrument for the issue or proposed issue of any Units or Convertible Instruments, or the date of the grant of any Convertible Instruments, whichever is the earlier.
"Relevant Dissolved Companies"	means (a) the following Hong Kong incorporated companies (date of deregistration pursuant to section 291AA of the Predecessor Companies Ordinance and nature of business) in brackets): (i) Central Mate Limited (廣瑩有限公司) (11 September 2009; property investment); (ii) Goshine Limited (高盛興業有限公司) (10 October 2008; vehicle investment); (iii) Infast Limited (快的有限公司) (15 August 2008; property investment); (iv) Island VIEW Limited (銓景有限公司) (13 March 2009; never commenced any business); (v) Jat Mark Limited (捷韻有限公司) (16 October 2009; property investment); (vi) Join Max Limited (24 October 2008; property investment); (vii) Linky Limited (領祺有限公司) (8 April 2011; investment holding); (viii) Mate Jet Limited (瑩卓有限公司) (27 August 2010; investment holding); (ix) Sennor Holdings Limited (順世集團有限公司) (10 December 2010; property investment); (x) Sun Force Limited (陽輝有限公司) (11 September 2009; property investment); (xi) Wealthy Goal Limited (紹陛有限公司) (15 October 2010; never commenced any business); (xii) Wise Manor Limited (智安興業有限公司) (13 March 2009; never commenced any business); (xiii) Wealth Match Limited (3 February 2006; investment holding); and (b) the following BVI incorporated companies (date of striking off and nature of business) in brackets): (i) All Gains Investments Limited (1 May 2009; investment holding); (ii) Gain Master Assets Limited (1 November 2009; investment holding).

"Relevant Investments"	means the following financial instruments which a REIT may invest in as permitted under the REIT Code: (a) securities listed on the Hong Kong Stock Exchange or other internationally recognised stock exchanges; (b) unlisted debt securities; (c) government and other public securities; and (d) local or overseas property funds.
"Relevant Persons"	means the Sole Listing Agent, the Joint Global Coordinators, the Joint Bookrunners and Joint Lead Managers, the Underwriters, the SFH Group, any of their or the REIT Manager's respective directors, officers or representatives or any other persons involved in the Global Offering.
"Relevant Property"	has the meaning set out in the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal – Scope of Coverage" in this Offering Circular.
"Renewed SF Leases"	has the meaning set out in the section headed "The Properties and Business – Tenant Profile of the Properties – Duration of the Leases" in this Offering Circular.
"Reorganisation"	has the meaning set out in the section headed "Reorganisation, Structure and Organisation of SF REIT – Reorganisation and Asset Injection" in this Offering Circular.
"Reorganisation Payables"	means the amount owing from the Predecessor Group to the subsidiaries of SFH that will be settled using the proceeds from the Global Offering and the Bank Loan Drawdown Amount. Such amount is expected to be HK$2,540.7 million immediately prior to Asset Injection Completion, comprising: (a) HK$2,171.0 million, being the outstanding amount under the Chui Yuk Promissory Note; and (b) RMB311.0 million (equivalent to HK$369.7 million), being the outstanding consideration for the transfer of 99% equity interests in Foshan Company (PRC) and Wuhu Company (PRC).

"Responsible Officer"	means a responsible officer of the REIT Manager appointed pursuant to the requirements of the SFO.
"RET"	means the PRC real estate tax.
"Revolving Loan"	has the meaning set out in the section headed "Material Agreements and Other Documents – Offshore Facility Agreement" in this Offering Circular.
"RMB"	means Renminbi, the lawful currency of the PRC.
"ROFR"	has the meaning set out in the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal" in this Offering Circular.
"SAFE"	means the State Administration of Foreign Exchange of the PRC.
"Sale and Purchase Deed"	means the sale and purchase deed dated 29 April 2021 and entered into by and among the Purchaser, the REIT Manager (in its capacity as manager of SF REIT), SF Fengtai (as seller) and SF Holding (as guarantor) for the acquisition of the Golden Bauhinia Share and the assignment of the Golden Bauhinia Payables, as described in "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.
"Sale Notice"	has the meaning set out in the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal – Sale Notice" in this Offering Circular.
"SAT"	means the State Administration of Taxation of the PRC.
"SF Connected Persons"	has the meaning set out in the section headed "Connected Party Transactions – Continuing Connected Party Transactions – Non-Exempt Continuing Connected Party Transactions with SF Connected Persons – SF Leasing Framework Agreement" in this Offering Circular.
"SF Connected Tenants"	means the SF Connected Persons who are tenants of any properties or premises owned by SF REIT from time to time.

"SF Continuing CPTs"	has the meaning set out in the section headed "Connected Party Transactions – Continuing Connected Party Transactions" in this Offering Circular.
"SF Fengtai"	means SF Fengtai Industrial Park Holdings Limited (順豐豐泰產業園控股有限公司), a BVI business company incorporated in the BVI and the direct owner of the entire issued share of Golden Bauhinia prior to the Asset Injection Completion.
"SF Holding"	SF Holding Limited (順豐控股有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of SFH.
"SF (IP)"	means SF (IP) Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of SFH.
"SF Lease Guarantees"	has the meaning set out in the section headed "Connected Party Transactions – Continuing Connected Party Transactions – Fully Exempt Continuing Connected Party Transactions with SF Connected Persons – SF Lease Guarantees" in this Offering Circular.
"SF Leases"	means leases, tenancies or licenses entered into, or will be entered into or renewed, between any subsidiary of SF REIT as lessor or licensor and any SF Connected Person as lessee, tenant or licensee for the properties or premises owned by SF REIT from time to time.
"SF Leasing Framework Agreement"	has the meaning set out in the section headed "Connected Party Transactions – Continuing Connected Party Transactions – Non-Exempt Continuing Connected Party Transactions with SF Connected Persons – SF Leasing Framework Agreement" in this Offering Circular.
"SF REIT"	means SF Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO.
"SF REIT Group"	means SF REIT and its subsidiaries.
"SFC"	means the Securities and Futures Commission of Hong Kong.

"SFH"	means 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 (stock code: 002352.SZ).
"SFH Group"	means SFH and its subsidiaries.
"SFH Relevant Subsidiaries"	has the meaning set out in the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal – Scope of Coverage" in this Offering Circular.
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
"Shenzhen Fengtai"	means 深圳市豐泰電商產業園資產管理有限公司 (Shenzhen Fengtai E-Commerce Industrial Park Asset Management. Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Shenzhen SF Taisen.
"Shenzhen SF Taisen"	means 深圳順豐泰森控股(集團)有限公司 (Shenzhen SF Taisen Holdings Group Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of SFH.
"Sole Listing Agent"	means DBS Asia Capital Limited.
"Special Purpose Vehicle(s)"	means the special purpose vehicle that is owned and controlled by SF REIT in accordance with the REIT Code and, for the avoidance of doubt, does not include a Joint Venture Entity minority-owned by SF REIT.
"Special Resolution"	means a resolution of Unitholders proposed and passed by a majority consisting of 75.0% or more of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders registered as holding together not less than 25.0% of the Units for the time being in issue.
"Stabilising Manager"	means Credit Suisse (Hong Kong) Limited.

"Stamp Duty Ordinance"	means Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), as amended, supplemented or otherwise modified for the time being.
"State Council"	means the State Council of the PRC (中華人民共和國國務院).
"Subject Carpark Premises"	has the meaning set out in section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Subject Office Premises"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Subject Properties Indemnities"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"subsidiary"	has the meaning set out in the REIT Code.
"Substantial Unitholder(s)"	means any person who is a "substantial unitholder" as defined in the REIT Code.
"Successor REIT Manager"	has the meaning set out in the section headed "The REIT Manager – Further Details Regarding the REIT Manager – Retirement or Removal of the REIT Manager" in this Offering Circular.
"Sunny Sail"	means Sunny Sail Holding Limited (陽帆控股有限公司), a company incorporated in the Cayman Islands and, as at the Latest Practicable Date, the direct owner of Chui Yuk.
"Takeovers Code"	means the Codes on Takeovers and Mergers and Share Buy-backs published by the SFC, as amended, supplemented or otherwise modified for the time being.
"Term Loan"	has the meaning set out in the section headed "Material Agreements and Other Documents – Offshore Facility Agreement" in this Offering Circular.

"Third Party Leases"	means the leases entered into between each Property Company, as owner of the relevant Property, and independent third parties of SF REIT Group, as tenant of the relevant Property.
"Third Party Sub-Lease"	has the meaning set out in the section headed "The Properties and Business – Tenant Profile of the Properties – Top Five Tenants" in this Offering Circular.
"Track Record Period"	means the years ended 31 December 2018, 2019 and 2020.
"Trademark Licence Agreement"	has the meaning set out in the section headed "Material Agreements and Other Documents – Trademark Licence Agreement" in this Offering Circular.
"Transition Period"	has the meaning set out in the section headed "The REIT Manager – Further Details Regarding the REIT Manager – Retirement or Removal of the REIT Manager" in this Offering Circular.
"Trust Deed"	means the trust deed dated 29 April 2021 between the Trustee (in its capacity as trustee of SF REIT) and the REIT Manager constituting SF REIT, as amended by any supplemental deed.
"Trustee"	means DB Trustees (Hong Kong) Limited, the trustee of SF REIT.
"Trustee Ordinance"	means the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong), as amended, supplemented or otherwise modified for the time being.
"Underwriter(s)"	means the Hong Kong Underwriters and the International Underwriters.
"Underwriting Agreements"	means the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and each an "Underwriting Agreement".
"Unit"	means a unit of SF REIT.

"Unit Borrowing Agreement"	means the unit borrowing agreement expected to be entered into between the Stabilising Manager and SF Fengtai on or around the Price Determination Date.
"United States" or "U.S."	means the United States of America.
"Unitholder"	means any person registered as holding a Unit.
"U.S. Securities Act"	means the United States Securities Act of 1933, as amended.
"USD" or "US$"	means United States dollars, the lawful currency of the United States.
"Valuation Report"	means the valuation report produced by the Independent Property Valuer, as set out in Appendix IV to this Offering Circular.
"Variable Fee"	means the variable fee payable to the REIT Manager on an annual basis under the Trust Deed, being 25.0% per annum of the difference in DPU in a financial year compared to the preceding financial year, multiplied by the weighted average number of Units in issue for such financial year. For the purpose of calculating the Variable Fee only, the DPU shall be calculated before accounting for the Variable Fee but after accounting for the Base Fee for the relevant financial year.
"VAT"	means the PRC value-added tax.
"Wuhu Company (BVI)"	means Wuhu Industrial Park Limited (蕪湖產業園有限公司), a BVI business company incorporated in the BVI and the direct sole shareholder of Wuhu Company (HK).
"Wuhu Company (HK)"	means Wuhu Fengtai (Hong Kong) Limited (蕪湖豐泰(香港)有限公司), a company incorporated in Hong Kong and the direct sole shareholder of Wuhu Company (PRC).
"Wuhu Company (PRC)"	means 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), a company established in the PRC and the direct owner of the Wuhu Property.

"Wuhu Land Bureau"	means Wuhu City Natural Resources and Planning Bureau (蕪湖市自然資源和規劃局), formerly known as Wuhu Municipal Bureau of Land (蕪湖市國土資源局).
"Wuhu Land Bureau Enforcement Division"	means Wuhu City Land and Resources Law Enforcement and Supervision Team (蕪湖市國土資源執法監察支隊).
"Wuhu Land Grant Contracts"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Wuhu Municipal Bureau of Land"	means Wuhu Municipal Bureau of Land (蕪湖市國土資源局).
"Wuhu Operations Manager"	means Hefei Jietai Enterprise Management Co., Ltd.* (合肥市捷泰企業管理有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of SFH.
"Wuhu Project Investment Contracts"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.
"Wuhu Property"	means Wuhu Fengtai Industrial Park (蕪湖豐泰產業園), a modern logistics property located at No. 61, Longteng Road, Jiujiang District, Wuhu City, Anhui Province, the PRC.
"Wuhu Property Non-Conforming Matters"	has the meaning set out in the section headed "The Properties and Business – Legal and Regulatory Compliance" in the Offering Circular.
"Yangtze River Delta Economic Region"	economic region which, for the purpose of this Offering Circular, covers Shanghai, Jiangsu Province, Anhui Province and Zhejiang Province of the PRC.

* *For identification purpose only*

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Average Monthly Rental per Leased Square Metre"	means, in respect of a relevant period, the Gross Rental Income divided by the aggregate of leased area under the leases during each month in that relevant period.
"CAGR"	means compound annual growth rate.
"distribution centre"	means a logistics hub which contains facilities and equipments for the purpose of carrying out comprehensive logistics functions such as processing, packaging, warehousing, sorting and distributing. It is generally at large scale and customised for particular procedures of a logistics enterprise.
"Gross Floor Area" or "GFA"	means, in respect of a Property, the gross floor area of that Property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
"Gross Lettable Area"	means, in respect of a Property, consists of that portion of the Gross Floor Area of that Property determined by the relevant Property Company at any given time to be rentable.
"Gross Rental Income"	means rental income due from the tenants under their leases for space in the Properties excluding any rental related income, management fee income and early termination.

"lease"	means a lease in respect of a premise within the Properties granted to a tenant and "leases" shall be construed accordingly.
"LEED"	means the Leadership in Energy and Environmental Design which is a global green building certification system developed and issued by the U.S. Green Building Council that provides third-party verification of the features, design, construction, maintenance, operation and effectiveness of green building.
"market value"	means the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
"modern logistics property"	means a modernised and informationised logistics property having warehousing as the primary function and at the same time carrying out regular logistics operations based on their storage facilities. Such properties are able to meet the requisite demands for modern logistics use.
"mu"	means the traditional Chinese unit of area ((畝), one mu is equivalent to approximately 666.67 sq.m.
"Net Property Income" or "NPI"	means: (i) all income resulting from the ownership or leasing of real estate, including but not limited to Gross Rental Income, management fee income, income generated from carparking spaces and other income attributable to the operation of such real estate; minus (ii) property related expenses, including, without limitation, advertising and promotion, agency fee, insurance, property management expenses, operations management expenses, other taxes related to the Properties (including government rent, government rates, urban real estate tax, land use right tax, urban construction and maintenance tax, education surcharge, local education surcharge and stamp duties), expenses related to repairs and maintenance, other property operating expenses. For the avoidance of doubt, all distributions received and receivable from Minority-owned Properties shall form part of the Net Property Income of SF REIT.

"Occupancy Rate"	means, in respect of the Properties or the relevant Property (as the case may be), the Gross Lettable Area occupied by tenants as a percentage of total Gross Lettable Area of the Properties or the relevant Property (as the case may be).
"sq.ft."	means square feet.
"sq.m."	means square metre.
"WALE"	means weighted average lease expiry.

THE GLOBAL OFFERING

The following is a description of the key elements of the Global Offering:

SF REIT	SF Real Estate Investment Trust, a collective investment scheme constituted as a unit trust by the Trust Deed and authorised under section 104 of the SFO.
The REIT Manager	SF REIT Asset Management Limited, a company incorporated in Hong Kong under the Companies Ordinance on 23 October 2020 and a direct wholly-owned subsidiary of Sunny Sail and an indirect wholly-owned subsidiary of SFH.
The Trustee	DB Trustees (Hong Kong) Limited.
The Hong Kong Public Offering	An initial offer of 52,000,000 Units to the public in Hong Kong as well as institutional and professional investors, subject to reallocation.
The International Offering	An initial offer of 468,000,000 Units to institutional, professional, and other investors outside the United States in offshore transactions in reliance on Regulation S, subject to reallocation and the Over-allotment Option.
The Global Offering	A total offering of 520,000,000 Units, consisting of the Hong Kong Public Offering and the International Offering (subject to the Over-allotment Option).
Reallocation of Units	The Units to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated between these offerings. Please refer to the section headed "Structure of the Global Offering" in this Offering Circular.
Structure	The Units are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S. The Units have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States.
Offer Price Range	The Offer Price of the Units will not be more than HK$5.16 and is expected to be not less than HK$4.68.

Charges Payable by Investors	In addition to the Maximum Offer Price, investors applying for Units in the Global Offering must pay brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%, calculated on the Maximum Offer Price and subject to refund if the Offer Price is lower than the Maximum Offer Price.
Over-allotment Option	The International Underwriters are expected to be granted an option by SF Fengtai, exercisable by the Joint Global Coordinators on behalf of the International Underwriters in full or in part, on one or more occasions at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to purchase from SF Fengtai up to an aggregate of 26,000,000 Units at the Offer Price. The exercise of the Over-allotment Option will not increase the total number of Units in issue. The total number of Units subject to the Over-allotment Option will constitute not more than 5% of the total number of Units initially available under the Global Offering.
Use of Proceeds	Please refer to the section headed "Use of Proceeds" in this Offering Circular for details of how the proceeds from the Global Offering will be applied.
Issuance of Units to SF Fengtai	Prior to and not as part of the Global Offering, 280,000,000 Units will be issued by SF REIT to SF Fengtai at Asset Injection Completion pursuant to the Sale and Purchase Deed.

Lock-ups	The REIT Manager has given certain lock-up undertakings to the Sole Listing Agent, the Joint Global Coordinators and the Hong Kong Underwriters that SF REIT will not issue any new Units for a period of six months from the Listing Date, subject to certain exceptions. Each of SF Fengtai and SF Holding has given certain undertakings to the REIT Manager, the Sole Listing Agent, the Joint Global Coordinators and the Hong Kong Underwriters that it will not (a) transfer or dispose of any Units held by it for a period of six months from the Listing Date and (b) transfer or dispose of any Units which would result in it ceasing to hold at least 30% of the Units in issue during the following period of six months, subject to certain exceptions. Please refer to the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings" in this Offering Circular.
Market Capitalisation	HK$4,128 million, based on the Maximum Offer Price, or HK$3,744 million, based on the Minimum Offer Price.
NAV per Unit Upon Completion of the Global Offering	HK$5.05 and HK$4.57 based on the Maximum Offer Price and Minimum Offer Price, respectively. The calculation of the NAV per Unit is arrived at on the basis of the net assets attributable to Unitholders extracted from the Unaudited Pro Forma Financial Information set out in Appendix II to this Offering Circular based on the Maximum Offer Price and Minimum Offer Price and on the basis that 800,000,000 Units will be in issue upon completion of the Global Offering.
Listing and Trading	Prior to the Global Offering, there has been no market for the Units.

Preliminary approval has been granted by the Hong Kong Stock Exchange for the listing of, and permission to deal in, all the Units on the Main Board of the Hong Kong Stock Exchange. Dealings in Units on the Hong Kong Stock Exchange are expected to commence on Monday, 17 May 2021. If the Hong Kong Stock Exchange grants formal approval for the listing of, and permission to deal in, the Units on the Main Board of the Hong Kong Stock Exchange and the SF REIT complies with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance, and settlement in CCASS, with effect from the Listing Date or any other date that HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Hong Kong Stock Exchange business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Units to be admitted into CCASS.

Stabilisation

In connection with the Global Offering, the Stabilising Manager may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Units at a level higher than that which might otherwise prevail for a period of 30 days after the last day for lodging applications under the Hong Kong Public Offering.

No Redemption Right for Unitholders

Unitholders have no right to request that the REIT Manager redeem their Units at any time. Listing of the Units on the Hong Kong Stock Exchange does not guarantee a liquid market for the Units.

Profit Forecast (for the period from the Listing Date to 31 December 2021)

The REIT Manager forecasts that, in the absence of unforeseen circumstances and on the basis and assumptions set out in the section headed "Profit Forecast for the Profit Forecast Period" in this Offering Circular, the profit attributable to Unitholders and the distributable income of the SF REIT for the period from the Listing Date to 31 December 2021 (being the Profit Forecast Period) will be not less than approximately HK$112.4 million and approximately HK$137.9 million, respectively. For further details, including the principal assumptions on which the forecast is based, Please refer to the section headed "Profit Forecast for the Profit Forecast Period" in this Offering Circular.

Distributions

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, as more fully described in the section headed "Distribution Policy" in this Offering Circular. Pursuant to the Trust Deed, the REIT Manager may at its discretion from time to time direct the Trustee to make distributions over and above the minimum 90% of the Annual Distributable Income. The REIT Manager currently intends to distribute 100% of the Annual Distributable Income for the Profit Forecast Period. Distributions will be declared in Hong Kong dollars.

Please refer to the section headed "Distribution Policy" in this Offering Circular for further information on SF REIT's distribution policy. See the section headed "Risk Factors" in this Offering Circular for a discussion of factors that may adversely affect the ability of the SF REIT to make distributions to Unitholders.

Statement of Distributions

Unitholders will be paid, in the absence of unforeseen circumstances, total distributions of not less than approximately HK$137.9 million for the period from the Listing Date to 31 December 2021, as the REIT Manager's current policy is to distribute to Unitholders 100% of SF REIT's Annual Distributable Income for such period, representing an annualised indicative DPU of 5.9% based on the Minimum Offer Price (excluding other transaction costs) or 5.3% based on the Maximum Offer Price (excluding other transaction costs). Such annualised indicative distribution yield are provided for illustration purposes only, and the actual annualised distribution yield may differ from this illustration.

Tax Considerations	Please refer to the section headed "Taxation" in this Offering Circular for information on certain tax consequences of the purchase, ownership, and disposal of the Units.
Governing Law	The Trust Deed, pursuant to which SF REIT is constituted, is governed by Hong Kong law.
Termination of SF REIT	SF REIT may be terminated by the Trustee or the REIT Manager in the circumstances set out in the Trust Deed. Please refer to the section headed "The Trust Deed – Termination of SF REIT" in this Offering Circular for further information.
Risk Factors	Prospective investors should carefully consider the risks connected with an investment in the Units. Certain of these risks are discussed in the section headed "Risk Factors" in this Offering Circular.

THE REIT MANAGER'S RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING CIRCULAR

The REIT Manager and the Directors (whose names appear in the section headed "Parties Involved in the Global Offering" in this Offering Circular) collectively and individually accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this Offering Circular misleading.

SFC AUTHORISATION

SF REIT has been authorised by the SFC under section 104 of the SFO. The SFC does not take any responsibility for the financial soundness of SF REIT or for the correctness of any statements made or opinions expressed in this Offering Circular and other documents relating to SF REIT. SFC authorisation is not a recommendation or endorsement of SF REIT nor does it guarantee the commercial merits of SF REIT or its performance. It does not mean SF REIT is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Underwriting

This Offering Circular is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Offering Circular and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering. The Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters. Pursuant to the International Underwriting Agreement, the International Offering is expected to be fully underwritten by the International Underwriters. Further details about the Hong Kong Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this Offering Circular.

Distribution and Selling Restrictions

The Hong Kong Public Offering Units are offered solely on the basis of the information contained and representations made in this Offering Circular and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this Offering Circular and the **GREEN** Application Form, and any information or representation not contained herein must not be relied upon as having been authorised by SF REIT, SFH, SF Holding, SF Fengtai, the REIT Manager, the Trustee, the Joint Global Coordinators, the Sole Listing Agent, or the Underwriters, or any of their respective directors, agents, employees, or advisors, or any other parties involved in the Global Offering.

The Units have not been, and will not be, registered under the US Securities Act or any state securities law in the United States. The Global Offering is being made in accordance with Regulation S.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units, or the possession, circulation, or distribution of this Offering Circular and/or the **GREEN** Application Form or any other offering or publicity material relating to SF REIT or the Units, in any country or jurisdiction other than Hong Kong. Accordingly, the Units are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S. The Units may not be offered or sold, directly or indirectly, and neither this Offering Circular, **GREEN** Application Form nor any other offering material, circular, form of application or advertisement in connection with the Global Offering of the Units may be distributed or published, in, to, or from any country or jurisdiction except under circumstances that will result in compliance with all applicable rules and regulations of any such country or jurisdiction.

Each person acquiring Units will be required to confirm, or by the acquisition of Units will be deemed to have confirmed, that he is aware of the restrictions on offers of Units described in this Offering Circular and the **GREEN** Application Form. **Applicants for the Units are recommended to consult their professional advisers if they are in any doubt as to the regulatory implications of subscribing for, purchasing, holding, disposal of or otherwise dealing in Units.**

Application for the Listing

Prior to the Global Offering, there has been no market for the Units. Preliminary approval has been granted by the Hong Kong Stock Exchange for the Listing and permission to deal in the Units on the Main Board of the Hong Kong Stock Exchange. No part of the Units is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future. Dealings in the Units on the Hong Kong Stock Exchange are expected to commence on Monday, 17 May 2021. The Units will be traded in board lots of 1,000 Units each. The stock code of SF REIT is 2191.

Eligibility for Admission into CCASS

Subject to the granting of formal approval for the Listing and permission to deal in the Units on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date that HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Hong Kong Stock Exchange business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Units to be admitted into CCASS.

Stamp Duty

No Hong Kong stamp duty is payable in connection with the initial issue of Units to successful applicants under the Hong Kong Public Offering. Subsequent dealings in the Units will be subject to Hong Kong stamp duty.

Professional Tax Advice Recommended

Persons who are unsure about the taxation implications of the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to the Units should consult a professional adviser.

None of SF REIT, SFH, SF Holding, SF Fengtai, the REIT Manager, the Trustee, the Sole Listing Agent, the Directors, the Underwriters nor any other person involved in the Global Offering accepts any responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposal of, dealing in or the exercise of any rights in relation to the Units.

Offer Price

The Maximum Offer Price is HK$5.16 per Offer Unit and the actual Offer Price is expected to be determined by agreement between the REIT Manager and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. Please refer to the section headed "Structure of The Global Offering" in this Offering Circular.

All applicants are required to pay the Maximum Offer Price of HK$5.16 per Offer Unit (plus brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%), subject to an appropriate refund if the Offer Price is less than the Maximum Offer Price. Please refer to the sub-section headed "Procedures for Application for Hong Kong Public Offering Units" immediately below.

Procedures for Application for Hong Kong Public Offering Units

The procedures for applying for the Hong Kong Public Offering Units are set out in the section headed "How to Apply for Hong Kong Public Offering Units" in this Offering Circular and in the **GREEN** Application Form.

The Joint Global Coordinators will have full discretion to reject any application for Hong Kong Public Offering Units in full or in part.

Conditions of the Hong Kong Public Offering

Details of the conditions of the Hong Kong Public Offering are set out in the section headed "Structure of the Global Offering – Conditions of the Global Offering" in this Offering Circular.

Structure of the Global Offering

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Offering Circular.

Exchange Rates

Certain RMB and US$ amounts in this Offering Circular have been translated into, and presented as, Hong Kong dollar amounts based on an exchange rate of RMB1 = HK$1.1884 and US$1.00 to HK$7.7534, respectively, unless otherwise specified. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in Renminbi, Hong Kong dollars or United States dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

PRC Properties, Tenants' Names and Business Sectors

Certain PRC Properties and the tenants in the PRC Properties do not have English names. Translations of the Chinese names of these PRC Properties and tenants have been provided in this Offering Circular for the convenience of readers. Such translations have not been approved by the relevant PRC Property Company and/or tenants. This Offering Circular contains certain information with respect to the business sectors of certain tenants in the PRC Properties. The REIT Manager has determined the business sectors in which these tenants are primarily involved based on the REIT Manager's general understanding of the business activities conducted by such tenants in the premises occupied by them. The REIT Manager's knowledge of the business activities of such tenants is necessarily limited and such tenants may conduct business activities that are in addition to, or different from, those indicated herein.

Language

If there is any inconsistency between the English version of this Offering Circular and its Chinese translation, the English version of this Offering Circular shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like included in this Offering Circular and for which no official English translation exists are unofficial translations for identification purposes only.

Rounding

For the purpose of consistency, where applicable and not otherwise stated, percentage figures in this Offering Circular have been rounded up to one decimal place and certain financial figures have been rounded to the nearest thousand or million, or up to one decimal place, as applicable. Such figures and calculations derived from such figures are therefore subject to rounding adjustments.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding adjustments.

SF REIT	As constituted by the Trust Deed entered into on 29 April 2021 in Hong Kong
REIT Manager	SF REIT Asset Management Limited Room 2002, 20/F Lee Garden Six 111 Leighton Road Causeway Bay Hong Kong
Directors of the REIT Manager	*Chairman and Non-executive Director* WANG Wei *Executive Director and Chief Executive Officer* Hubert CHAK *Non-executive Directors* NG Wai Ting YANG Tao LEONG Chong *Independent Non-executive Directors* TAN Huay Lim HO Lap Kee, *MH, JP* CHAN Ming Tak, Ricky KWOK Tun Ho, Chester
Responsible Officers of the REIT Manager	Hubert CHAK HONG Kam Kit, Eddie CHOW Chi Ping, Simon
Trustee	DB Trustees (Hong Kong) Limited Level 60, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Hong Kong Unit Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen’s Road East Hong Kong

Sole Listing Agent	DBS Asia Capital Limited 73/F The Center 99 Queen's Road Central, Central Hong Kong
Joint Global Coordinators	DBS Asia Capital Limited 73/F The Center 99 Queen's Road Central, Central Hong Kong Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong J.P. Morgan Securities (Asia Pacific) Limited 28/F, Chater House 8 Connaught Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	DBS Asia Capital Limited 73/F The Center 99 Queen's Road Central, Central Hong Kong Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong J.P. Morgan Securities (Asia Pacific) Limited *(in relation to the Hong Kong Public Offering)* 28/F, Chater House 8 Connaught Road Central Hong Kong J.P. Morgan Securities plc *(in relation to the International Offering)* 25 Bank Street Canary Wharf London E14 5JP United Kingdom

Auditor and Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building, Central Hong Kong
Legal Advisors to the REIT Manager	*as to Hong Kong and United States laws:* Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong *as to PRC law:* King & Wood Mallesons 18/F, East Tower, World Financial Centre 1 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 PRC *as to Cayman Islands law and BVI law:* Harney Westwood & Riegels 3501 The Center 99 Queen's Road Central Hong Kong
Legal Advisors to the Sole Listing Agent and the Underwriters	*as to Hong Kong and United States laws:* Hogan Lovells 11th Floor One Pacific Place 88 Queensway Hong Kong *as to PRC law:* JunHe LLP Suite 2803-04, 28/F Tower Three, Kerry Plaza No. 1-1 Zhongxinsi Road Futian District Shenzhen 518048 PRC

Legal Advisor to the Trustee	Allen & Overy 50 Collyer Quay #09-01 OUE Bayfront Singapore 049321
Independent Property Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 7/F, One Taikoo Place 979 King's Road Hong Kong
Building Surveyor	Colliers International Agency Limited Suite 5701 Central Plaza 18 Harbour Road, Wanchai Hong Kong
Market Consultant	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 7/F, One Taikoo Place 979 King's Road Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

An investment in the Units involves significant risks. Prospective investors should consider carefully, together with all other information contained in this Offering Circular, the risk factors described below before deciding to invest in the Units.

As an investment in a collective investment scheme is meant to produce returns over the long term, investors should not expect to obtain short-term gains.

Investors should be aware that the price of the Units, and the income from them, may rise or fall. Investors should note that they may not get back their original investment and that they may not receive any distributions. The occurrence of any of the following events could harm us. If any of these events occur, the trading price of the Units could decline and you may lose all or part of your investment.

Before deciding to invest in the Units, prospective investors should seek professional advice from their advisors regarding their prospective investment in the context of their particular circumstances.

RISKS RELATING TO SF REIT

SF REIT presently relies on the SF Connected Tenants for a significant portion of its income. SF REIT's income and distributions may be adversely affected if (a) it is unable to renew the leases with the SF Connected Tenants and secure a replacement lessee on similar or better terms or at all; or (b) SF Holding and/or Shenzhen SF Taisen fail to meet their payment obligations under the SF Lease Guarantees in the event an SF Connected Tenant breaches the relevant SF Lease

SF REIT presently relies on the SF Connected Tenants for a significant portion of its income. According to the Market Consultant Report, it is not uncommon for a larger proportion of the floor area of modern logistics properties to be leased to only one or two major operator tenants. For each of the three years ended 31 December 2018, 2019 and 2020, (i) the percentage of total revenue attributable to the SF Connected Tenants was approximately 62.4%, 72.1% and 78.3%, respectively; and (ii) the percentage of Gross Lettable Area leased to and operated by the SF Connected Tenants was approximately 45.2%, 62.3% and 76.3%, respectively. As at 31 December 2020, the Foshan Property was leased entirely to one tenant which is a local operating subsidiary of SFH. As such, SF REIT's financial conditions and results of operations may be adversely affected by the bankruptcy, insolvency or downturn in the businesses of the SF Connected Tenants, as well as the decision of the SF Connected Tenants not to renew or terminate all or any of their leases before they expire.

SFH is a leading integrated express logistics service provider in the PRC. Any adverse economic developments in Asia, in particular the PRC, as a result of global economic slowdown or otherwise, could lead to a general decline in domestic consumption and a slowdown in international trade, which could have a significant impact on the business of SFH and in turn adversely affect SF REIT. If any of SF Connected Tenants do not renew the leases on expiration or on the same or similar terms, SF REIT may not be able to find replacement lessees in a timely manner or at all. Although the rental deposit is forfeited for early termination of the leases, the forfeited rental deposit may not be able to cover the loss in rental income if the amount of rent and terms on which the replacement leases are agreed are less favourable than the terminated leases.

In addition, under the SF Lease Guarantees, SF Holding (in respect of the SF Leases relating to the Hong Kong Property) and Shenzhen SF Taisen (in respect of the PRC Properties) each guaranteed to pay and make good on demand all losses, costs and expenses sustained by the relevant Property Company in the event of breach by a SF Connected Tenant of any term under the relevant SF Lease. However, there can be no assurance that SF Holding and/or Shenzhen SF Taisen will meet its payment obligations pursuant to the SF Lease Guarantees in the event an SF Connected Tenant breaches the relevant SF Lease. If SF Holding and/or Shenzhen SF Taisen fails to meet its payment obligations under the SF Lease Guarantees in the event an SF Connected Tenant breaches their SF Lease, the income of SF REIT will be negatively impacted, the rental yield of the Properties may decrease and the financial performance and the distributions to Unitholders may be adversely affected.

Adverse changes in global and local economic, political and social conditions in Hong Kong and the PRC could affect SF REIT's business, financial condition, results of operations and cash flow

The Properties are located in Hong Kong and the PRC. This exposes SF REIT to the risk of any negative change in global and local economic, political and social conditions in Hong Kong and the PRC. The frequency and magnitude of public demonstrations, protests and strikes are unpredictable. The effects of any social instability may adversely affect the economy in Hong Kong, which in turn could have a negative impact in leasing demand, rental levels and occupancy rates of logistics properties and adversely affect SF REIT's results of operations and future growth.

While the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and the PRC economy has experienced significant growth in the past 40 years, growth has been uneven both geographically and among different sectors of the economy and there is no guarantee that the PRC economy will continue to grow. In addition, the PRC Government continues to regulate industries' development by imposing control over foreign currency denominated payment obligations.

The trade dispute between the PRC and the U.S. also has significant impact on both the regional and worldwide economy, and the outlook for financial markets and the world economy is uncertain. It remains unclear what actions, if any, will be taken by the PRC, the U.S. or other governments with respect to international trade agreements, foreign policies or other matters. In the near term, the trade dispute may result in a reduction in business activities and income levels in the PRC, Hong Kong and the rest of the world.

Adverse economic, political and social conditions could adversely affect SF REIT if they result in, among others:

(a) a negative impact on the ability of the tenants to pay their rents in a timely manner or to continue their leases;

(b) a negative impact on SF REIT's ability to attract new and/or retain tenants and maintain high occupancy and rental rates;

(c) possible downward pressure on rental rates, operating income and profits;

(d) a decrease in the value of SF REIT's portfolio;

(e) an increased likelihood that one or more of (i) SF REIT's lending banks; or (ii) SF REIT's insurers may be unable to honour or renew their commitments to SF REIT, or that SF REIT may not be able to obtain sufficient funding for its operations or refinance its indebtedness when required; or

(f) an increase in counterparty risk (being the risk of monetary loss which SF REIT may be exposed to if any of its counterparties encounters difficulty in meeting its obligations under the terms of its respective transactions).

The pervasive and fundamental disruptions in the global financial markets have prompted extensive and unprecedented intervention by governments across the world. It is uncertain when such governmental intervention will end or what, if any, additional temporary or permanent restrictions and/or increased regulation governments may impose on the financial markets. Any government intervention, restrictions or regulation could have a material adverse effect on the business, financial condition, results of operations and prospects of SF REIT. The likelihood or duration of any economic slowdown or downturn is also uncertain, and any such economic slowdown or downturn could have a material adverse impact on the business, financial condition, results of operations, prospects and distributions of SF REIT.

The COVID-19 pandemic and the occurrence of other natural or man-made disaster could present challenges to SF REIT

The COVID-19 pandemic is having a significantly negative impact on the global economy. It has severely disrupted business operations, supply chains and workforce availability across the world, leading to substantial declines in business activities. The COVID-19 pandemic, as well as the responses and measures taken in Hong Kong, the PRC and elsewhere by the governments and society as a whole, could present challenges to SF REIT and its tenants. These challenges include, but are not limited to, lock-down and mandatory or voluntary social distancing measures, such as closure of offices and facilities, quarantine requirements and disruptions to or even suspensions of normal business operations and supply chains. Relaxation of these measures and restrictions to any extent may increase the risk of another outbreak, leading to more stringent measures being imposed which may further hinder economic activities. Although vaccine developments offer the possibility of reducing the duration and easing the scale and impact of the COVID-19 pandemic, the effectiveness of the vaccines and the efficacy with which vaccines are developed, approved, produced, distributed and administered remains uncertain and cannot be predicted. Given the uncertainties as to the development of the pandemic at the moment, it is difficult to predict how long these conditions will exist and the extent to which SF REIT may be affected. If any of the Properties were identified to be clusters for the COVID-19 pandemic, they may be required to be suspended or closed, adversely affecting the operations of tenants. Contagion in one of the Properties could also negatively impact the occupancy rates as well as the reputation and attractiveness of SF REIT.

If the tenants are so affected, they may experience difficulties in maintaining their financial strength and default on their lease obligations, terminate their leases early or seek relief from SF REIT as the landlord, which may adversely affect the business and results of operations of SF REIT.

SF REIT may also be adversely affected by external uncontrollable events, such as natural disasters, severe weather conditions, outbreak of epidemics and other pandemics, terrorist attacks, riots, civil commotions, and other events beyond its control. The REIT Manager cannot predict the occurrence of these events and the extent to which they will, directly or indirectly, impact distributions to Unitholders or the business, financial condition, results of operations and prospects of SF REIT in the future.

SF REIT's results of operations may be adversely affected if any of the REIT Manager, the Hong Kong Property Manager or the PRC Operations Managers fail to operate and manage the Properties in an effective and efficient manner or the Hong Kong Property Management Agreement or any of the PRC Operations Management Agreements is terminated before expiration or not renewed upon expiration

The REIT Manager has a general power of management over the assets of SF REIT and the REIT Manager's main responsibility is to manage the assets of SF REIT for the benefit of the Unitholders. The REIT Manager has delegated part of such responsibility to the incumbent Hong Kong Property Manager and the PRC Operations Managers who shall continue to provide (by itself or outsourcing) certain property management services in respect of the Properties.

Pursuant to the Hong Kong Property Management Agreement, the Hong Kong Property Manager shall provide (by itself or outsourcing) property management services such as, among other things, daily maintenance, cleaning and security services, contractor management, tenant management, financial management and filing and records management services in relation to the Hong Kong Property. Pursuant to the PRC Operations Management Agreements, the PRC Operations Managers shall provide (by itself or outsourcing) operations and property management services in respect of the PRC Properties including, among other things, leasing, tenant management services, daily maintenance and financial management services.

The failure of the REIT Manager, the Hong Kong Property Manager and/or the PRC Operations Managers to manage the Properties effectively and efficiently may adversely affect the underlying value of the Properties and SF REIT's results of operations and ability to make distributions to Unitholders and pay amounts due on its indebtedness. In addition, any adverse changes in the REIT Manager's relationship with the Hong Kong Property Manager and/or the PRC Operations Managers could hinder its abilities to manage SF REIT.

In the event of early termination or non-renewal of the Hong Kong Property Management Agreement and/or the PRC Operations Management Agreements, subject to market conditions then prevailing, there is no assurance that SF REIT can replace the relevant Hong Kong Property Manager and/or PRC Operations Managers in a timely manner, or on terms similar to those under the Hong Kong Property Management Agreement or the PRC Operations Management Agreements, respectively. During any period where there is no operations manager or property manager in place, the REIT Manager will have to manage and operate the Properties directly and SF REIT could face a disruption to its operations and an increase in costs incurred for management of the Properties and for certain corporate and administrative services. This may have a material adverse effect on the business operations and financial performance of SF REIT.

SF REIT and the REIT Manager are all newly established entities and do not have established operating histories for investors to rely on in making an investment decision

SF REIT was established on 29 April 2021 and the REIT Manager was incorporated on 23 October 2020. Accordingly, SF REIT and the REIT Manager have no operating history by which their respective past performance may be judged and investors may find it difficult to evaluate their business and prospects. In particular, the historical financial information of the Predecessor Group included in this Offering Circular does not account for the new leases which have been entered into since 31 December 2020 and accordingly does not necessarily reflect SF REIT's results of operations, financial condition and cash flows in the future. Moreover, there is no assurance that the REIT Manager will be able to successfully operate SF REIT as a REIT or as a publicly listed entity, and there is no assurance that SF REIT will be able to generate sufficient revenue from operations to make distributions in line with those set out in the section headed "Distribution Policy" in this Offering Circular.

SF REIT's results of operations may be adversely affected if the REIT Manager, the Hong Kong Property Manager and/or the PRC Operations Managers fail to retain or replace their respective key management personnel

SF REIT's success depends, in part, upon the continued service and performance of the key management personnel of the REIT Manager, the Hong Kong Property Manager and the PRC Operations Managers. These persons may leave in the future, and may thereafter compete with SF REIT. The loss of any of these individuals and the inability to recruit suitable replacements could have a material adverse effect on SF REIT's business, financial condition, results of operations and prospects.

SF REIT's operations may be adversely affected if the Trustee retires or is removed and a new trustee cannot be identified and appointed in a timely manner

The Trustee may retire or be removed in the future. Pursuant to the REIT Code, the Trustee shall not retire except upon the appointment of a new trustee whose appointment has been approved by the SFC and the retirement of the Trustee shall take effect at the same time as the new trustee takes up office. However, such retirement of the Trustee may result in certain level of disruption to the regular management and operation of SF REIT. For more details on the retirement and removal of the Trustee, please refer to the section headed "The Trust Deed – Retirement and Removal of the Trustee" in this Offering Circular. There is no assurance that a new trustee can be found and appointed in a timely manner or the terms of the new trust deed will be the same or similar to the current Trust Deed.

SF REIT faces risks inherent in concentrating in one asset class

While SF REIT can invest in income-generating real estate globally, its portfolio at the time of Listing and initial investment focus on logistics properties located in Hong Kong and the PRC may expose it to the risks inherent in having only one asset class in its property portfolio. Such concentration of investments may cause SF REIT to be susceptible to a downturn in the real estate market as well as the logistics industry in Hong Kong and the PRC. This may lead to a corresponding decline in rental income for such real estate assets in SF REIT's portfolio and/or a decline in the capital value of its portfolio.

The REIT Manager may not be able to achieve its key objectives for SF REIT and its stated strategies for accomplishing such objectives may change

The REIT Manager's key objectives for SF REIT are to provide the Unitholders with stable distributions, sustainable and long-term distribution growth and enhancement in the value of SF REIT's properties by implementing specific strategies outlined in the section headed "Strategy" in this Offering Circular. There is no assurance that the REIT Manager will be able to successfully implement such strategies, or that it will be able to do so in a timely and cost effective manner. Unitholders and potential investors should also note that, subject to the requirements of the REIT Code, the Trust Deed, the Listing Agreement and applicable laws and regulations, the REIT Manager has absolute discretion to determine the strategies of SF REIT. As a result, the strategies outlined in the section headed "Strategy" in this Offering Circular may change.

Under the REIT Code, SF REIT will be required to distribute at least 90% of its audited annual net income after tax to Unitholders and its aggregate borrowings shall not at any time exceed 50% of its Gross Asset Value of the Deposited Property. As a result, SF REIT will need to rely primarily on external financing, either by issuing additional Units or by increasing its borrowings, to fund future acquisitions. Additional equity or debt financing is subject to prevailing conditions in the equity and debt markets and may not be available on favourable terms or at all.

Accordingly, there is no assurance that the REIT Manager will be able to successfully implement its stated strategies, or that any modifications or departure from existing strategies will be successful, or that any changes will be done in a timely and cost effective manner.

The initial success of SF REIT is likely to correlate with the demand of the e-commerce sector and retailing industry in Hong Kong and the PRC

The performance of the Properties is likely to correlate, in part, with the volume of trades flowing through Hong Kong and the PRC. A significant portion of the Properties have been leased to logistics companies (including SF Connected Tenants and third-party logistics providers), whose business is closely linked with the e-commerce industry and the emergence and development of e-commerce platforms. The growth of the e-commerce sector and retailing industry in Hong Kong and the PRC has generated an increased demand for cross border logistics and express delivery services, which has led to an increase in demand for logistics facilities and warehouses and boosted the local modern logistics property markets.

There can be no assurance as to the sustainability of this rising demand in Hong Kong and the PRC. The e-commerce sector and retailing industry evolve rapidly with technological updates, changes in user preferences, product innovation and the availability, reliability and security of e-commerce platforms. Factors such as more favourable taxation and tariff regimes, cheaper terminal costs and cost competitiveness of competing ports may divert trade away from Hong Kong and the PRC. Any negative development in the e-commerce sector or retailing industry could reduce the demand for logistics properties by the logistics tenants.

SF REIT's investments or acquisitions in the future may not be successful, which may adversely affect the results of operations of SF REIT

SF REIT may invest in or acquire other high quality income-generating properties or land in desirable locations at commercially reasonable prices in the future. These assets may expose SF REIT to additional local real estate market conditions, such as competition and supply and demand. The success of any investment or acquisition will depend on a number of factors, including the REIT Manager's ability to identify suitable acquisition targets, successfully complete and integrate the acquisition into SF REIT's portfolio, and implement its acquisition growth strategy. There is no assurance that SF REIT's investments or acquisitions in the future will be successful, which in turn may incur loss and adversely affect the business, financial condition, the results of operations and prospects of SF REIT.

The Deed of Right of First Refusal may be terminated and SF REIT may be unable to exercise the ROFR

Pursuant to the Deed of Right of First Refusal, SFH has granted in favour of the Trustee (in its capacity as trustee of SF REIT) and the REIT Manager (in its capacity as manager of SF REIT), conditional on the Listing, a ROFR with the following scope of coverage: (a) the property must fulfil (or would reasonably be regarded as fulfiling) the investment criteria and property characteristics, and is consistent (or would reasonably be regarded as being consistent) with the investment strategy of the REIT Manager for property investments by SF REIT; (b) the property must be a completed property; and (c) SFH directly or indirectly holds majority ownership interest in the property, and no pre-emptive acquisition rights have been granted to the minority owners (if any).

The ROFR will commence on the Listing Date until the earliest of (a) five years after the Listing Date; or (b) the Units ceasing to be listed on the Hong Kong Stock Exchange (except for temporary suspension of trading); or (c) the REIT Manager ceasing to be a subsidiary of SFH.

Even if the Trustee and the REIT Manager are entitled to exercise the ROFR, SF REIT may not have the financial resources available to enable it to acquire the relevant property interests or shares or to participate in the relevant bidding process. If the ROFR expires or is terminated, or if SF REIT is unable to fund an acquisition, this may adversely affect SF REIT's ability to implement its acquisition growth strategy.

The provisions of the SF Lease Guarantees and the Subject Properties Indemnities could be declared unenforceable and void

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in Hong Kong and the PRC, a guarantee or an indemnity could be declared void if, among other things, the guarantor or promisor, at the time it gives its guarantee or indemnity, did so with the intent to defraud creditors or was influenced by a desire to put the beneficiary of the guarantee or indemnity obligation in a position which, in the event of the guarantor's or the promisor's insolvency, would be better than the position the beneficiary would have been in had the guarantee or indemnity not been given. Although the REIT Manager does not have any reason to believe that the guarantee or the indemnity will be declared void or unenforceable for any of the foregoing reasons, if a court declares the performance guarantee or indemnity obligation to be void, or holds that the guarantee or the indemnity is unenforceable for any other reason, SF REIT would cease to have a claim against SF Holding and/or Shenzhen SF Taisen based upon the SF Lease Guarantees or against SF Fengtai and SF Holding under the Subject Properties Indemnities.

Failure by SF Fengtai and/or SF Holding to fulfill their obligations under the Subject Properties Indemnities may have a material adverse effect on SF REIT's operations

Under the Sale and Purchase Deed, SF Fengtai and SF Holding have irrevocably undertaken to jointly and severally indemnify SF REIT, the Trustee, the REIT Manager, the Purchaser and the Predecessor Group, to the fullest extent permissible by law, for any liability, losses, damages, fines, fees and costs which any of them may sustain, incur or suffer as a result or in connection with the Hong Kong Non-Conforming Matters, the Foshan Non-Conforming Matters, the Wuhu Property Non-Conforming Matters or the non-registration of the leases in respect of the PRC Properties. For details of the Subject Properties Indemnities, please refer to the sub-section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.

The liability of SF Fengtai and SF Holding under Subject Properties Indemnities is subject to a limit, being, for each Property, the Agreed Property Value plus the Proportionate Initial Adjustment Sum (if any) for that Property. There is no assurance that SF Fengtai and/or SF Holding will have sufficient financial resources to satisfy any claim made against them, or to fulfill their obligations under, under the Subject Properties Indemnities, notwithstanding the undertaking given by SF Holding to maintain net assets in excess of the abovementioned limitation cap for so long as such indemnities are in force. Failure to any extent by SF Fengtai and/or SF Holding to perform their obligations under the Subject Properties Indemnities could have a material adverse effect on the business, financial condition and results of operations of SF REIT.

SF REIT's portfolio growth depends on its ability to obtain external sources of capital or at commercially acceptable terms

The REIT Manager's policy is to distribute to Unitholders at least 90% of the Annual Distributable Income for each financial year. Also, in order to maintain SF REIT's qualification as a REIT, the REIT Code requires SF REIT to annually distribute at least 90% of its audited net income after tax. In addition, the REIT Manager has the discretion to distribute any additional amounts (including capital). Therefore, SF REIT may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, it may need to rely on external sources of funding to expand its property portfolio, which may not be available on commercially acceptable terms or at all. If SF REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist, satisfy its debt obligations or make the necessary cash distributions to the Unitholders to maintain its qualification as a REIT.

The amount that SF REIT may borrow is limited, which may affect the operations of SF REIT

SF REIT's borrowings are limited by the REIT Code to no more than 50% of its Gross Asset Value of the Deposited Property. Upon Listing, SF REIT is expected to have aggregate borrowings of no higher than approximately 31.4% of the Gross Asset Value of the Deposited

Property. There can be no assurance that SF REIT's borrowings will not at any time exceed 50% of its Gross Asset Value of the Deposited Property as a result of a decrease in the market value of its properties, whether following any valuation of its assets or otherwise. Even though SF REIT would not be required to dispose of its assets to pay off part of the borrowings to reduce its gearing ratio where such disposal is prejudicial to the interest of the Unitholders, it would not be allowed to borrow more. From time to time, SF REIT may need to draw down on its own banking facilities and to use other short-term facility for general corporate or other purposes, but will not be able to do so in such case. SF REIT may also face difficulties in securing financing in a timely manner and on favourable commercial terms. In addition, the use of leverage may increase the exposure of SF REIT to adverse economic factors such as rising interest rates and economic downturns.

SF REIT may face risks associated with debt financing and the debt covenants in the facility agreements could limit or adversely affect or restricts SF REIT's operations

SF REIT's level of debt and the covenants to which it is subject under its current facility agreements or future debt financing could have significant adverse consequences, including, but not limited to, the following: (i) its cash flow may be insufficient to meet its required principal and interest payments; (ii) it may not be able to borrow additional funds as needed or on commercially acceptable terms; (iii) it may not be able to refinance its indebtedness upon maturity or may only be able to do so with less favourable terms; (iv) it may default on its obligations and the lenders or mortgagees may foreclose on its properties and require a forced sale of the mortgaged property, or foreclose on its interests in the entities that own the properties and require a forced sale of such entities; and (v) it is subject to restrictive covenants under the facility agreements and may be subject to similar covenants in future loan agreements, which may restrict, limit or otherwise adversely affect SF REIT's operations, such as their ability to incur additional indebtedness, acquire properties, make certain other investments, make capital expenditures, or make distributions from the PRC-incorporated property-holding companies to SF REIT and from SF REIT to Unitholders. Further, the terms of SF REIT's facility agreements may require SF REIT to comply with certain financial covenants. SF REIT's ability to meet these financial covenants may be affected by events beyond its control, such as a downward revaluation of assets, and the REIT Manager cannot guarantee that SF REIT will always be able to meet these covenants.

Failure of SF REIT to meet any payment obligation or to comply with any covenant may, after expiration of the applicable remedy period, constitute an event of default. SF REIT's default under any one of its loan agreements may result in a cross-default under its other loan agreements. In such case, the lending banks may declare an event of default and demand immediate repayment of all outstanding loans and other sums payable under such loan agreements.

If any one of these events were to occur, SF REIT's financial condition, cash flow, cash available for distributions to Unitholders, trading price per Unit, and its ability to satisfy its debt service obligations could be materially and adversely affected.

SF REIT may face risks relating to investments in Relevant Investments

Investments in Relevant Investments may involve, without limitation, the following characteristics and risks:

Market risk

If SF REIT invests in Relevant Investments in the nature of equity securities, debt securities or property funds, it will be susceptible to the risk of all or certain parts of the market in which it has invested. The market value of stocks, debt securities and property funds will fluctuate in response to (but not limited to) general market and economic conditions, and will also be exposed to changes and fluctuation in commodity prices, foreign exchange rates and interest rates. In particular, since the Hong Kong dollar is pegged to the US dollar, interest rate movements in Hong Kong will likely be directly and heavily influenced by interest rate movements in the United States. In addition, there is the risk of inflation, and the return on debt securities such as bond investments may not necessarily be sufficient to meet with or negate any increase in commodity prices. Such market fluctuations and uncertainties may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders.

Default/Credit risk

SF REIT may face financial loss if an issuer or counterparty to the Relevant Investments defaults in payment, or experiences a decline in its payment capacity. A corporate event such as a merger or takeover may have an adverse impact on the financial position and thus the credit rating of the issuer. Any decline in the creditworthiness of an issuer or counterparty may have a major impact on the value of the Relevant Investments.

Price volatility risk

Substantial fluctuations in the price of a financial instrument may negatively affect the investment. In the case of equity securities, stock prices can be volatile and unpredictable subject to different local and international market and economic factors. The price volatility of any stock may result from speculations in the market and changes in business risk of the underlying operations. Moreover, a stock may be suspended from trading on the relevant stock exchange or market, during which time, SF REIT would not be able to sell or otherwise liquidate its position in such stock on such stock exchange or market. The price of the stock may fluctuate after its resumption of trading due to changes in market and/or business risks during the period of suspension. These fluctuations can be unpredictable, and such occurrences could adversely affect SF REIT's financial conditions and results of operations.

Liquidity risk

SF REIT may not be able to sell a sufficient amount of the Relevant Investments at will or at any desired time and at a satisfactory price because demand in Relevant Investments may become low during certain periods of time, notwithstanding the Relevant Investments being relatively liquid when they were acquired and transparently priced. In such circumstances, SF REIT may be forced to sell the Relevant Investments on unfavourable terms.

Management and policy risk

SF REIT may inadvertently invest in companies with improper or reputation management practices, which conduct transactions that are detrimental to SF REIT's interests as an investor or, in the case of property funds, the risk of poor performance by fund managers. Such improper actions or practices may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders. Meanwhile, changes in local and/or international government policies and regulations may have a profound impact on the pricing of equity securities in the relevant sectors or industries.

Risks in relation to property funds

Investments in local or overseas property funds may involve additional risks. There is no assurance that a property fund can necessarily achieve its investment objective and strategy. Any property fund is susceptible to the relevant real estate market conditions if it concentrates its investment in a single property or asset class. In the case of overseas property funds, changes in exchange rates may have an impact and adverse effect on the value of the fund's assets. Further, investing overseas will entail regional as well as political risks.

SF REIT may face risks relating to Property Development and Related Activities

Engaging in Property Development and Related Activities may involve certain risks, including, without limitation, the following:

Lack of track record

The REIT Manager has not previously engaged in Property Development and Related Activities. The REIT Manager was incorporated specifically for the purpose of managing SF REIT which, to date, has only held the Properties, which are developed properties. Accordingly, the REIT Manager has no experience in engaging in Property Development and Related Activities. If the REIT Manager is unable to successfully manage Property Development and Related Activities, this may adversely impact the return from its investment in that project and the financial and business conditions of SF REIT, as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

Construction risk

The progress of Property Development and Related Activities and the costs in relation thereto may be affected by factors such as labour disputes, construction accidents, shortage of materials, equipment, contractors and skilled labour, natural catastrophes and adverse weather conditions. By undertaking Property Development and Related Activities, SF REIT will be exposed to the risk of unexpected increase of labour and construction which may arise costs during different stages of a property development. If there is a significant increase in labour costs or construction costs, and SF REIT cannot negate such increase by reducing other costs associated with the project, this may adversely impact the return from its investment in that project (or in some cases, it may result in a loss) and the financial and business conditions of SF REIT, as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

Risk of default of project counterparties

The work of third party contractors (including sub-contractors) engaged to carry out work in relation to Property Development and Related Activities, may not always be satisfactory or match the expectations of SF REIT in terms of quality, timing and safety standards. Any such contractors may undertake projects for other development companies, thereby diverting resources, or may encounter financial or other difficulties, which may cause unforeseen delays in the completion of SF REIT's property developments, leading to an increase in the cost of construction or even disputes or litigation in some cases. This may adversely impact the return from its investment in that project and the financial and business conditions of SF REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

Risk of failure or delays in obtaining governmental approvals

In order to develop and complete a property development, numerous governmental permits, licences, certificates and other regulatory approvals at various stages of the property development process are required. The grant of each approval may be dependent on the satisfaction of certain conditions imposed by the relevant authority. SF REIT may encounter problems or delays in obtaining the requisite approval or in fulfilling the conditions required for obtaining such approval. In the event that SF REIT fails to obtain the requisite approval or to fulfil the conditions of such approval for its property developments in a timely manner, or at all, these property developments may not be able to proceed as planned. In addition, should there be any change in local legislation, rules and regulations relating to property development, SF REIT may need to revise its original property development plan, and this may lead to the incurrence of additional costs and time needed for completion. This may adversely impact the financial and business conditions of SF REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

Risk of project financing

A substantial amount of capital is generally required for property development projects prior to and during the construction period. SF REIT may have to obtain debt facilities in order to finance the construction project and is subject to the relevant borrowing limitations specified in the REIT Code. SF REIT may not be able to source and secure adequate and timely financing or at the desirable financing cost to complete a development project. Further, fluctuations in interest rates may increase the financing costs incurred and may have an adverse impact on the level of distributions to Unitholders. Changes in the business environment during the construction period, such as fluctuations in the prospective rental yield and property value, may result in rising financing costs of the project that may adversely impact the financial and business conditions of SF REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders

Risk of delay and impact on income

SF REIT may receive reduced or no income from the underlying real estate when Property Development and Related Activities are being undertaken. Such period may be extended if, for the reasons noted above, completion of the Property Development and Related Activities is delayed. This in turn may adversely impact the financial and business conditions of SF REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders. There is no guarantee of a return from any investment in Property Development and Related Activities.

SF REIT is subject to interest rate risks

The business of SF REIT is affected by local, regional and international economic conditions. In particular, fluctuations in interest rates may increase the interest costs under borrowings obtained by SF REIT and may adversely affect the financial position of SF REIT and the ability of SF REIT to make distributions to Unitholders. Additionally, fluctuations in interest rates, as well as changes in other economic market conditions, may have an adverse effect on the property market, and may have a material adverse effect on the revenue of SF REIT, the value of its properties, and its financial performance and condition. In particular, SF REIT has entered into the Offshore Facility Agreement and the Onshore Facility Agreements to fund, among other things, part of the Asset Injection Consideration and working capital purposes. The Offshore Facility Agreement comprises the Term Loan and the Revolving Loan with different interest rates, and the Onshore Facility Agreements comprise the two Onshore Loans with the same interest rates. For details of such borrowings and their interest rates, please refer to the sections headed "Material Agreements and Other Documents – Offshore Facility Agreement" and "Material Agreements and Other Documents – Onshore Facility Agreements" in this Offering Circular.

Currency fluctuations, especially in the value of RMB, could adversely affect the amount of distributions to Unitholders, and in turn, the price of the Units

SF REIT may be subject to exchange rate risk in satisfying its foreign currency denominated obligations. SF REIT's income from its PRC properties are denominated in RMB, which will have to be converted into Hong Kong dollars for the payment of the distributions to the Unitholders. Fluctuations in the exchange rate of RMB against Hong Kong dollars may therefore have a material adverse impact on the level of distributions to Unitholders. The value of RMB against Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and many other factors outside SF REIT's control.

The business of SF REIT relies on certain "SF" trademarks and SF REIT may lose the right to use such trademarks

SF REIT is branded and marketed as a REIT which is sponsored and supported by SFH. Pursuant to the Trademark Licence Agreement, Shenzhen SF Taisen and SF (IP) (as licensors) have granted the REIT Manager (as licensee) the right and licence to use certain "SF" trademarks in the REIT's name and in connection with the business and for the benefit of SF REIT. However, any negativity or adverse market developments or publicity relating to the "SF" brand may result in negative perceptions of SF REIT and the REIT Manager. In addition, SF REIT may lose the right to be named as the "SF REIT" where (i) the licence is terminated by mutual consent of the Licensors and the Licensee; (ii) the REIT Manager ceases to act as the manager of SF REIT or there is a material change of shareholding in the REIT Manager; or (iii) the Licensors no longer maintain their respective ownership over the Licensed Trademarks, and SF REIT's financial condition, results of operations and prospects may be materially and adversely affected.

The REIT Manager's operations are subject to regulation and its licensing conditions

The REIT Manager is required to be licensed under the SFO for the regulated activity of asset management. No assurance can be given that the REIT Manager will be operated and managed in accordance with its licensing and approval conditions. In particular, if any of the responsible officers departs the REIT Manager which makes the REIT Manager having less than two responsible officers, this will result in the REIT Manager suspending or ceasing its business to manage SF REIT. There is no assurance that the REIT Manager will be able to retain its responsible officers or find replacements for any departing responsible officers on commercially acceptable terms and on a timely basis in order to continue the REIT Manager's business and maintain its licence. In the event that the REIT Manager ceases to be licensed under the SFO or ceases or suspends its business, SF REIT may need to appoint other management companies as its manager. In the event that no other management companies duly licensed or approved can be identified to replace the existing REIT Manager, the Trustee may terminate SF REIT.

SF REIT's internal control policies and procedures may not be effective or sufficient and SF REIT may not be able to detect and prevent fraud or other misconduct committed by its tenants, employees of the REIT Manager and other third parties

The REIT Manager has established corporate governance policies and operational procedures that aim to prevent misconduct and fraud in operation and financial management of SF REIT. However, there is no assurance that these policies and procedures will be effective or sufficient and can necessarily eliminate misconduct and fraud by the management team and employees of the REIT Manager. In addition, SF REIT is managed by management teams based in two jurisdictions (Hong Kong and the PRC) which may increase the risk of violations of these policies and procedures. If SF REIT's internal control policies and procedures are not effective or sufficient, SF REIT's business, financial condition, results of operations and prospects may be adversely affected. The aforementioned misconduct includes (but not limited to):

(a) hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;

(b) intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to SF REIT when deciding whether to invest in or dispose of an asset;

(c) maliciously vandalising SF REIT's properties, or offering bribes to counterparties in return for any type of benefits or gains;

(d) improperly using or disclosing confidential information;

(e) misappropriating funds;

(f) engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;

(g) engaging in unauthorised or excessive transactions to the detriment of the tenants; or

(h) violating applicable laws or our internal policies and procedures.

RISKS RELATING TO THE PROPERTIES

The Hong Kong Property Non-Conforming Matters may subject SF REIT to enforcement actions by the Hong Kong Government, which may adversely impact the operation and financial performance of SF REIT

Based on the REIT Manager's due diligence, the Hong Kong Property is subject to certain non-conformities with the Government Grant and the Buildings Ordinance. In particular, the use of the Subject Carpark Premises by SF Connected Tenants for loading and unloading storage and supporting facilities purposes does not conform with the Hong Kong Property Designated Use and is also an unauthorised alteration of the layout plan for parking, loading and unloading spaces which contravenes the Government Grant. Further, the unauthorised alteration together with the use of being the Subject Office Premises by other tenants as ancillary office do not conform with the Hong Kong Property Designated Use. Miscellaneous unauthorised building works were also found inside the Hong Kong Property, which do not comply with the Buildings Ordinance and/or the regulations made thereunder. Such Hong Kong Property Non-Conforming Matters are breaches of the Government Grant and the Buildings Ordinance, which entitle the Hong Kong Government as the grantor under the Government Grant to re-enter the Hong Kong Property. The REIT Manager is of the view that Hong Kong Non-Conforming Matters are immaterial non-compliance and are not reasonably expected to have a material and adverse impact on the financial condition and business of SF REIT. For further details, please refer to the section headed "The Properties and Business – Legal and Regulatory Compliance" in the Offering Circular.

Based on the Hong Kong legal advice received by the REIT Manager and its own due diligence, the REIT Manager is of the view that SF REIT (through the Property Companies) will hold good marketable legal and beneficial title to the Properties after Asset Injection Completion and upon Listing. Based on the Hong Kong legal advice received by the REIT Manager and its own due diligence, the REIT Manager is also of the view that Hong Kong Non-Conforming Matters will not affect Goodear's ability to lease, sell or mortgage the Hong Kong Property where such matters are disclosed to the purchaser or mortgagee and they are fully aware of the legal consequences and have accepted the Hong Kong Property on such basis prior to their signing of the relevant agreement. While the REIT Manager expects such acceptance to be forthcoming given the non-material nature of the Hong Kong Non-Conforming Matters, such acceptance would need to be sought at the relevant time, and there is no assurance that such acceptance will be obtained.

There is no assurance that the Hong Kong Government will not take enforcement actions against SF REIT for the Hong Kong Property Non-Conforming Matters. Despite the availability of the Subject Properties Indemnities which SF REIT has obtained from SF Fengtai and SF Holding in connection with such actions and the undertaking from SF Holding to maintain net assets in excess of the aggregate limitation cap of the outstanding indemnities under the Sale and Purchase Deed (including the indemnities concerning the Hong Kong Property) from time to time for so long as such indemnities are in force, such indemnities are limited to the Agreed Property Value plus the Proportionate Initial Adjustment Sum (if any) in respect of the Hong Kong Property and will terminate upon the expiry of the Government Grant which is 13 January 2061, and any enforcement action (if imposed) may still adversely impact the operation and financial performance of SF REIT.

There are discrepancies between the Foshan Property Designated Uses and the actual use of the Foshan Property

Under the land grant contract in respect of the Foshan Property, the Foshan Property Designated Land Use is industrial and the Foshan Property Designated Building Use is factory and ancillary use. However, the Foshan Property has been leased for warehousing and logistics purposes, which technically do not conform with the Foshan Property Designated Uses. Such non-conformity may result in legal consequences and enforcement actions including fines, rectification orders and/or repossession by the relevant PRC land authority in accordance with the laws and regulations of the PRC. Further, if the relevant PRC land authority allows or requires the Foshan Property Designated Uses to be changed in the future, such change may require payment of a land premium. For further details, please refer to the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.

Based on the REIT Manager's consultation with the Shishan Office of Foshan City Natural Resources Bureau Nanhai Branch (佛山市自然資源局南海分局獅山管理所), notwithstanding such Foshan Property Designated Uses, it was confirmed that the Foshan Property can be used for warehousing and logistics purposes. The PRC Legal Advisors have confirmed that the Shishan Office of Foshan City Natural Resources Bureau Nanhai Branch (佛山市自然資源局南海分局獅山管理所) is the competent authority to give such confirmations.

The PRC Legal Advisors have also confirmed that the Foshan Property Non-Conforming Matters will not affect whether SF REIT shall, through Foshan Company (PRC), hold good marketable legal and beneficial title in the Foshan Property after Asset Injection Completion and upon Listing. Further, the PRC Legal Advisors are also of the view that: (i) the non-conformity described above will not, in and of itself, prevent the Foshan Property from being leased, bought, sold or being accepted by banks as security for mortgages; (ii) the subsisting lease at the Foshan Property remains legal and enforceable; and (iii) the risk of any of the abovementioned enforcement actions being imposed in respect of the Foshan Property Non-Conforming Matters is practically non-existent.

However, there is no assurance that Foshan Company (PRC) will not be subject to any enforcement actions in the future. In the event the REIT Manager is unable or unsuccessful in defending SF REIT against these actions, they could result in fines, rectification orders and/or repossession by the relevant PRC land authority. Despite the existence of the Subject Properties Indemnities which SF REIT has obtained from SF Fengtai and SF Holding in connection with such actions and the undertaking from SF Holding to maintain net assets in excess of the aggregate limitation cap of the indemnities under the Sale and Purchase Deed (including the indemnities concerning the Foshan Property) that remain outstanding from time to time for so long as such indemnities are in force, such indemnities are limited to the Agreed Property Value plus the Proportionate Initial Adjustment Sum (if any) in respect of the Foshan Property and will terminate upon expiry of the land use rights which is 20 July 2049, and these actions (if imposed) could adversely impact the operation and financial performance of SF REIT.

Failure to fulfil certain operating performance targets prescribed under the Wuhu Land Grant Contracts and/or the Wuhu Project Investment Contracts may affect the business, financial condition and results of operations of SF REIT

Under the Wuhu Land Grant Contracts, Wuhu Company (PRC) undertook that: (i) starting from the year after the completion of construction of the Wuhu Property, the expected amount of tax levied per mu of the Wuhu Property per year shall not be lower than a prescribed level; (ii) at the time of completion of the inspection and acceptance procedures, the tax leviable per mu shall reach a certain prescribed level. Further, under the Wuhu Project Investment Contracts, Wuhu Company (PRC) gave a similar undertaking that the annual tax levied on the Wuhu Property shall not be lower than a certain prescribed level. These undertaking, under the Wuhu Land Grant Contracts and/or the Wuhu Project Investment Contracts have not been fulfilled.

Based on a written statement issued by the Wuhu Land Bureau, the Wuhu Land Bureau is willing to discuss with Wuhu Company (PRC) on how to deal with the non-fulfilment of the tax leviable targets. In addition, Wuhu Company (PRC) has obtained a written statement issued by the Wuhu Land Bureau Enforcement Division, being the enforcement division of the Wuhu Land Bureau, which confirms that they will not, and will also coordinate with other authorities not to, take enforcement actions on such non-compliance. The PRC Legal Advisors have confirmed that such authorities are the competent authorities to give such confirmations. The PRC Legal Advisors also consider the risk of any of the statutory enforcement actions provided in the Wuhu Land Grant Contracts and/or the Wuhu Project Investment Contracts being imposed to be practically non-existent. Further, based on the REIT Manager's consultation with the Administration Committee of Jiujiang Economic Development Area, which is an agent institute of the local government of Jiujiang District in Wuhu and responsible for supervising and dealing with the performance of the Wuhu Project Investment Contracts, it was confirmed that while the Administration Committee of Jiujiang Economic Development Area still urges Wuhu Company (PRC) to fulfil the undertakings, the Administration Committee of Jiujiang District in Wuhu will continue to provide the financial incentives granted under the Wuhu Project Investment Contracts in the meantime. The PRC Legal Advisors have confirmed that the Administration Committee of Jiujiang Economic Development Area is the competent authority to give such confirmations. For further details, please refer to the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular.

The PRC Legal Advisors have also confirmed that the Wuhu Property Non-Conforming Matters will not affect whether SF REIT shall, through Wuhu Company (PRC), hold good marketable legal and beneficial title in the Wuhu Property after Asset Injection Completion and upon Listing. Further, the PRC Legal Advisors are of the view that as at the Latest Practicable Date: (i) the non-compliance described above will not prevent the Wuhu Property from being leased, bought, sold or being accepted by banks as security for mortgages; (ii) all subsisting leases in respect of the Wuhu Property remain legal and enforceable; and (iii) the risk of any of the abovementioned enforcement actions being imposed in respect of such non-compliance is practically non-existent.

There is no assurance that Wuhu Company (PRC) will not be subject to penalties and sanctions in the future, including but not limited to fines, rectification orders and demolition orders. Despite the existence of the Subject Properties Indemnities which SF REIT has obtained from SF Fengtai and SF Holding in connection with such actions and the undertaking from SF Holding to maintain net assets in excess of the aggregate limitation cap of the outstanding indemnities under the Sale and Purchase Deed (including the indemnities concerning the Wuhu Property) from time to time for so long as such indemnities are in force, such indemnities are limited to Agreed Property Value plus the Proportionate Initial Adjustment Sum (if any) in respect of the Wuhu Property and will terminate upon the expiry of the land use rights which is 20 January 2066, and these actions (if imposed) could adversely impact the operation and financial performance of SF REIT.

The Properties are subject to risks of non-renewal of expiring government lease or land use rights

The land on which the Hong Kong Property is situated is held under the Government Grant expiring on 13 January 2061. Upon its expiry, there is no guarantee that the Hong Kong Government will extend or renew the lease term at all or on favourable terms. Renewal will therefore be subject to the laws of Hong Kong and the policies of the Hong Kong Government at that time. Under current policies, such leases are commonly renewed, subject to payment of government rent and additional land premium, but there is no certainty that the current policies will be maintained.

The land use right in the PRC is not perpetual and is granted by the PRC Government with an expiry date. The PRC Properties are directly held by the respective PRC Property Companies under land use rights granted by the PRC Government. Under PRC laws, the maximum term of the land use rights is 50 years for industrial use and warehousing purposes. The existing terms of land use rights in respect of the Foshan Property and the Wuhu Property will expire in 2049 and 2066, respectively. For details, please refer to the section headed "The Properties and Business – Portfolio of SF REIT's Properties" in this Offering Circular. Upon expiration, the land use rights will return to the PRC Government unless the holder of land use rights applies for and is granted an extension of the term of the land use rights.

These non-resident land use rights do not have automatic rights of renewal and the holders of such land use rights are required to apply for extension of the land use rights one year prior to the expiration of their terms under the PRC laws. If an application for extension is granted (and such grant would usually be given by the PRC Government unless the land in issue is to be taken back for the purpose of public interests), the holder of land use rights will be required to, among other things, pay a land grant premium.

If no application for extension is made, or such application is not granted, the properties upon the land use rights will be disposed of in accordance with the land use right grant contracts. As none of the land use rights granted by the PRC Government similar to those granted for the PRC Properties has, as at the Listing Date, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which the PRC Property Companies will have to pay and any additional conditions which may be imposed if the REIT Manager decides to seek an extension of the land use rights for the PRC Properties upon the expiry thereof.

If the PRC Government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any PRC Properties, the operations and business of the relevant PRC Property Companies could be disrupted, and the business, financial condition and results of operations of SF REIT could be materially and adversely affected.

The land which the PRC Properties occupy or parts thereof may be resumed compulsorily by the PRC Government where a legitimate public interest for requisition of such land is established and any compensation paid to SF REIT may not be adequate, and the Hong Kong Property may be re-entered by the Hong Kong Government where there is a breach of the terms of the Government Grant

The PRC Government has the right to resume compulsorily any land in the PRC pursuant to the provisions of applicable legislation. In certain circumstances, the PRC Government may, where it considers to be in the public interest, terminate land use rights before the expiration of the term. In the event of any compulsory resumption of property in the PRC, the amount of compensation to be awarded will be based on the open market value of a property and is assessed on the basis prescribed in the relevant law. If the PRC Properties are subsequently resumed by the PRC Government, the level of compensation paid to SF REIT pursuant to this basis of calculation may be less than the price which SF REIT has paid or would have paid for such properties. In addition, the PRC Government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts, in which case SF REIT may not be entitled to any compensation. Furthermore, a breach of the terms of a government grant may render the Hong Kong Government exercising its rights of re-entry of the land. As such, the Hong Kong Government as the grantor under the Government Grant may re-enter the Hong Kong Property in respect of the Non-Conforming Matters. For further details, please refer to the section headed "The Properties and Business – Legal and Regulatory Compliance" in this Offering Circular. Any of the above cases may have a material adverse effect on the business, financial condition, results of operations and prospects of SF REIT.

SF REIT may face penalties for the non-registration of the leases in the PRC

According to *Urban Real Estate Administration Law of the PRC* (*《中華人民共和國城市房地產管理法》*), the lessor and lessee shall sign written leases regulating the term of the lease, lease purpose, lease price, repair responsibilities as well as other rights and obligations of both parties. The leases shall be registered and filed with the relevant government authorities. According to *Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法)*, the parties to a lease shall register and file with the relevant government authorities within 30 days after the execution of leases. As at the Latest Practicable Date, the PRC Property Companies were unable to register any of the leases in respect of the PRC Properties with the relevant land and real estate administration bureaus primarily due to the administrative difficulty in seeking tenants' cooperation. As advised by the PRC Legal Advisors, according to the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法), a fine of RMB1,000 to RMB10,000 shall be imposed on the PRC Property Companies for non-registration of leases, and the maximum aggregate amount of penalty payable by the PRC Property Companies in respect of such unregistered leases is approximately RMB28,000.

As advised by the PRC Legal Advisors, non-registration of the abovementioned leases does not affect the rights or entitlements of SF REIT to lease out the PRC Properties to tenants, or the validity or the binding effect of the leases over contracting parties. However, SF REIT may be subject to requests by the local authorities to complete the registration formalities and/or penalties for the non-registration of leases imposed by the local authorities. As at the Latest Practicable Date, none of the PRC Property Companies had received a request from any government authority in the PRC to complete the registration formalities or penalised for the non-registration of the leases. Although any loss arising out of or in connection with the PRC Property Companies' failure to register the subsisting leases in respect of the PRC Properties with the relevant government authorities within the prescribed time limit would be covered under the Subject Properties Indemnities, there can be no assurance that SF REIT will not be subject to such penalties and/or requests for undertaking the registration formalities in the future.

The Properties may face competition from other properties in Hong Kong, Foshan and Wuhu

The Properties face competition from other properties in Hong Kong, Foshan and Wuhu and the neighbouring sub-districts in varying degrees. For example, the Hong Kong Property competes with other modern logistics properties in the neighbouring Kwai Tsing district, which has the highest concentration of modern logistics properties in Hong Kong accounting for approximately 46.9% of the modern logistics property stock in Hong Kong as at the end of 2020. Foshan has a high concentration of logistics properties which creates a relatively competitive environment. In Wuhu, most of the well-known modern logistics properties are located in Jiujiang Economic Development Area where the Wuhu Property is located, which also creates a relatively competitive environment for the Wuhu Property. For further details regarding the competitive landscape for logistics properties in Hong Kong and Foshan and Wuhu in the PRC, please refer to the section headed "The Properties and Business – Competition" and the Market Consultant Report as set out in Appendix V to this Offering Circular.

Success in the logistics sector depends on a number of factors, such as location, transport links, design, infrastructure support in surrounding area, construction quality, and management of the logistics centres and the level of rental rates offered to potential tenants. The attractiveness of the Properties to tenants also depend on policies promulgated by the PRC Government from time to time concerning the positioning of Hong Kong, Foshan and Wuhu. If a significant number of tenants relocate, SF REIT's business, financial condition, results of operations and prospects may be materially and adversely affected.

Furthermore, there can be no assurance that new or existing competing properties will not offer lower rental rates or greater convenience, service, amenities or environmental conditions in the markets that SF REIT operates. An inability to compete effectively could result in loss of tenants and rental income, and a material adverse effect on SF REIT's business, financial condition, results of operations and prospects.

There are potential conflicts of interest between SF REIT and SFH

SF REIT invests in income-generating real estate globally with an initial focus on logistics properties located in Hong Kong and the PRC. As at 31 December 2020, SFH's core express logistics and supply chain business remained to be its major source of revenue, which accounted for 98.54% of its total revenue for the year ended 31 December 2020. The revenue generated from leasing of properties accounted for only a fraction of the rest of SFH's total revenue for the same year. While SFH's principal business is not in the leasing of properties, it is engaged in and manages entities that are engaged in the investment, development and management of logistics properties in the PRC. The REIT Manager which manages SF REIT is an indirect subsidiary of SFH. Therefore, there may be circumstances where conflicts of interest amongst the REIT Manager, SF REIT and SFH may arise. For example, the REIT Manager may have conflicts of interest with potential acquisitions from SFH or its affiliates and in agreeing to the terms of such potential acquisitions. There is no assurance that SFH will direct attractive investment opportunities to SF REIT instead of other entities, including other subsidiaries or affiliates of SFH, subject to the terms of the ROFR. SF REIT may compete for suitable investment opportunities with other subsidiaries or affiliates of SFH. Any such potential conflicts of interests may not necessarily be resolved in favour of SF REIT. Although the REIT Manager and the PRC Operations Managers are capable of performing, and shall perform, their duties in relation to SF REIT independently and in the best interests of SF REIT and the Unitholders, the REIT Manager (as a subsidiary of SFH) and the PRC Operations Managers (as indirectly wholly-owned subsidiaries of SFH) may also face conflicts of interests in other activities of SFH and their subsidiaries or affiliates at an operational level, for instance, in connection with negotiating the terms of the SF Leases against tenants who are also subsidiaries of SFH and procuring services. All four non-executive Directors of the REIT Manager, namely, Mr. WANG Wei and Ms. NG Wai Ting who hold directorship and/or senior management positions at SFH, as well as Mr. YANG Tao and Mr. LEONG Chong who hold directorship and/or senior management positions at SFH's subsidiaries, may have a conflict of interest in their involvement in the business, policies and other affairs of both SF REIT and SFH and their affiliated companies. Mr. WANG Wei, in particular, is the Controlling Shareholder of SFH. Despite the SF Leasing Framework Agreement and other corporate governance measures in place, there is no assurance that SF REIT will not be affected by the abovementioned circumstances of potential conflicts which may arise in the future due to the relationships between SF REIT, SFH, the REIT Manager and its Directors.

The building standards applicable in Hong Kong, Foshan and/or Wuhu may become more stringent and SF REIT may incur significant costs to ensure conformity and/or compliance with such amended standards

The building standards that apply to the Properties may become more stringent in the future, and there can be no assurance that the Properties will remain in conformity with the latest building standards from time to time in Hong Kong, Foshan and Wuhu. Compliance with the latest amended building standards may be required retrospectively, which could incur significant costs for SF REIT. In addition, if any of the Properties does not meet the most recent requirements for building standards and materials, such properties may be less desirable than developments which have been built in accordance with the latest standards, which may affect the ability to sell or let the relevant Property and consequently may materially affect the business, financial condition, results of operations and prospects of SF REIT.

The Appraised Value is based on various assumptions and the price at which SF REIT is able to sell the Properties may be different from the Appraised Value or the initial acquisition price of the Properties

The Independent Property Valuer's Valuation Report is set out in Appendix IV to this Offering Circular. In conducting its valuation of the Properties, the Independent Property Valuer primarily adopted an income capitalisation method. The valuation was based on certain assumptions and required a subjective determination of certain factors relating to the Properties, such as their relative market position, financial and competitive strengths, location and physical condition.

There can be no assurance that the assumptions are accurate measures of the market or that the Properties were valued accurately. Further, the Appraised Value of the Properties is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which SF REIT may sell the Properties in the future may be lower than the Appraised Value or the initial acquisition price of the Properties. These factors may have a material adverse effect on the business, financial condition, results of operations and prospects of SF REIT.

A decrease in the fair value of the Properties at revaluation may constrain distributions and further borrowings of SF REIT

The Properties held by SF REIT are subject to regular revaluation as required under the REIT Code. Under SF REIT's accounting policy, any decrease in the valuation of its investment properties could result in non-cash charges to the income statement, and may result in a substantial decline in annual consolidated net profit. Although unrealised property revaluation loss is an item of Adjustments the effect of which can be eliminated from the calculation of the Interim Distributable Income and the Annual Distributable Income, property revaluation loss will reduce the Gross Asset Value of the Deposited Property. As a result, SF REIT's borrowings as a proportion of its Gross Asset Value of the Deposited Property may rise above the gearing limit set out in the REIT Code, in which case the REIT Manager may be required to retain funds that would otherwise be distributable to the Unitholders so as to increase Gross Asset Value of the Deposited Property and SF REIT would be constrained from further borrowing.

The due diligence exercise on the Properties may not have identified all material defects, breaches of laws and regulations and other deficiencies

In connection with the Global Offering, due diligence reviews, surveys and inspections of the Properties have been conducted by the Building Surveyor. A letter from the Building Surveyor in relation to its due diligence survey report is set out in Appendix VI to this Offering Circular. The due diligence survey comprised, among other things: (i) visual inspection of the Properties; (ii) visual inspection of the current building layouts and usage against the latest approved general building plans; (iii) visual inspection of all building elements in accessible common areas, including all building facades, external walls, roofs, corridors, lobbies, lavatories, electrical and mechanical plant rooms; and (iv) visual inspection of all major building services installations, including air conditioning, fire services, lifts, escalators, plumbing and above ground drainage. Nevertheless, the due diligence process with respect to the physical condition of the Properties has been limited. There can be no assurance that such reviews, surveys or inspections (or the relevant review, survey or inspection reports on which SF REIT, SFH, SF Holding, SF Fengtai, the REIT Manager, the Trustee and the Sole Listing Agent have relied on) would have revealed all defects or deficiencies affecting the Properties. In particular, there can be no assurance as to the absence of: (i) latent or undiscovered defects or deficiencies; or (ii) inaccuracies or deficiencies in such reviews, surveys or inspection reports. Representations, warranties and indemnities given by any seller of real estate may not afford satisfactory or adequate protection from costs or liabilities arising from such defects.

The Properties may require significant capital expenditure to be maintained in good condition and SF REIT may not have sufficient cash to make such capital expenditure

There can be no assurance as to the physical state of the Properties or the capital expenditure necessary to maintain the Properties in the future. The Properties will require periodic capital expenditure, refurbishments, renovation and improvements to remain competitive and in good condition. Design, construction or other latent property or equipment defects in the Properties, or any other properties that may in the future be in SF REIT's portfolio, may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties, other than those disclosed in this Offering Circular. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on SF REIT's earnings and cash flows. The costs of maintaining the Properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the Properties age. The business and operation of the Properties may be disrupted and adversely affected as a result of renovation works and it may not be possible to collect the full rate of, or, as the case may be, any rental income on the space affected by such renovation work.

SF REIT may not be able to fund capital improvements solely from cash from its operating activities. This may be due to, among other things, the requirement for SF REIT to distribute at least 90% of its audited annual net income after tax to Unitholders each financial year. Consequently, SF REIT may need to rely on external sources of funding to conduct significant maintenance works on its Properties, which may not be available on favourable terms or at all and which is subject to a gearing ratio limit of 50% of its Gross Asset Value of the Deposited Property under the REIT Code.

Physical damage to the Properties resulting from fire or other causes may also impose unbudgeted costs on SF REIT and lead to a significant disruption to the business and operation of the Properties. This may result in an adverse impact on the business, financial condition, results of operations and prospects of SF REIT and its ability to make distributions to Unitholders.

Asset enhancement initiatives which the REIT Manager may deploy in the future may not achieve their desired results or may incur significant costs to SF REIT

The REIT Manager may deploy asset enhancement initiatives and operation improvements to optimise the Properties' rental income growth, improve tenant diversity and occupancy levels, and prudently control property expenses as it considers appropriate in the future to achieve organic and sustainable growth for SF REIT. These asset enhancement initiatives may incur significant costs to SF REIT, and there is no assurance that any such initiatives will achieve the intended and desired results for SF REIT.

Existing or planned amenities and transport infrastructure near the Properties may be closed, relocated, terminated, delayed or uncompleted

There is no assurance that the amenities and transportation infrastructure and public transport services near the Properties will not be closed, relocated, terminated, delayed or uncompleted, or that there will be no impediment to the traffic flow in the vicinity. Such closure, relocation, termination, delay, non-completion or impediment may adversely affect the accessibility of the Properties. This may then have an adverse effect on the attractiveness and marketability of the Properties to tenants and may adversely affect the business, financial condition, results of operations and prospects of SF REIT, thereby reducing the ability of SF REIT to make distributions to the Unitholders.

The representations, warranties and indemnities under the Sale and Purchase Deed are subject to limitations

The representations, warranties and indemnities given by SF Fengtai (as seller) and SF Holding (as guarantor) under the Sale and Purchase Deed are subject to limitations as to their scope and as to the amount and timing of claims which can be made thereunder. Generally, all claims made under the Sale and Purchase Deed must be made within three years from the Asset Injection Completion Date (other than claims relating to fundamental warranties and tax, which must be made within seven years from the Asset Injection Completion Date, and claims under the Subject Properties Indemnities). All claims under the Subject Properties Indemnities given by SF Fengtai and SF Holding in respect of the Hong Kong Property Non-Conforming Matters, the Foshan Property Non-Conforming Matters and the Wuhu Property Non-Conforming Matters must be made before the expiry of the land use rights or the government lease (as the case may be) of the relevant Property to which such claims pertain. In addition, the aggregate maximum liability of SF Fengtai and SF Holding in respect of all claims under the representations and warranties shall not exceed the Agreed Property Value plus the Initial Adjustment Sum (if any), and the maximum liability of SF Fengtai and SF Holding under the Subject Properties Indemnities in respect of a Property shall be limited to the Agreed Property Value plus the Proportionate Initial Adjustment Sum (if any) for that Property. Accordingly, there is no assurance that any breaches by SF Fengtai and/or SF Holding of such representations, warranties and indemnities can be identified and claimed within such limitation periods or that SF REIT will be compensated for all losses or liabilities suffered or incurred as a result of such breaches.

SF REIT may suffer material losses not covered by insurance or in excess of insurance proceeds

The Properties could suffer physical damage caused by fire or other causes and SF REIT may suffer public liability claims, resulting in losses (including loss of rent), which may not be fully compensated for by insurance proceeds. In addition, SF REIT has not obtained insurance covering certain types of losses, such as losses from war, nuclear contamination, theft and/or acts of terrorism committed by a person or persons acting on behalf or in connection with any organisation. Should an uninsured loss or a loss in excess of insured limits occur, SF REIT or the Property Companies could be required to pay compensation and/or lose the capital invested in the Properties as well as the anticipated future revenue from the Properties. Nonetheless, SF REIT or the Property Companies would remain liable for any debt or other financial obligation, such as committed capital expenditures, related to the relevant Properties. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially adversely affect SF REIT’s business, financial condition, results of operations and prospects.

In addition, when its current insurance policies expire, SF REIT will have to seek renewal of the policies and negotiate acceptable terms of coverage, exposing it to the volatility of the insurance markets, including the possibility of increased premiums. The REIT Manager will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance premiums or decrease in available coverage in the future could adversely affect SF REIT's business, financial condition and results of operations.

Accidents in SF REIT's business may expose it to liability and reputational risk

Accidents may occur at SF REIT's properties. The Hong Kong Property Manager and the PRC Operations Managers provide repair and maintenance services, which may subsequently be outsourced to other service providers. Repair and maintenance services such as elevator maintenance involve the operation of heavy machinery and therefore, are generally subject to certain risks of accidents. These occurrences could result in damage to, or destruction of property, personal injury or death, and consequentially, legal liability for SF REIT. SF REIT may also experience interruptions to its business and may be required to change the manner in which it operates as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect SF REIT's reputation, business, financial position and results of operations.

The Predecessor Group recorded net current liabilities during the Track Record Period, and SF REIT may be subject to liquidity risks accordingly

The Predecessor Group had net current liabilities of HKD3,120.0 million, HKD2,983.7 million and HKD737.6 million, respectively, as at 31 December 2018, 2019 and 2020. Going forward, there can be no assurance that SF REIT will not continue to have net current liabilities that would expose it to liquidity risk. SF REIT's future liquidity and ability to make additional capital investments necessary for its operations and business expansion will depend primarily on its ability to maintain sufficient cash generated from operating activities and to obtain external financing. If, after Listing, SF REIT continues to have net current liabilities, its working capital for business operations may be constrained. If SF REIT is unable to generate sufficient positive operating cash flows or obtain additional financing to meet its working capital needs, SF REIT's business, financial condition and results of operations may be materially and adversely affected.

SF REIT may be adversely affected by increases in operating expenses without a corresponding increase in revenue in the same period

SF REIT's results of operations and ability to make distributions to Unitholders may be adversely affected if its operating expenses increase without a corresponding increase in revenue. Factors which could lead to an increase in operating expenses include, but not limited to, the following: (i) increases in taxes and other statutory charges; (ii) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies; (iii) changes in direct or indirect tax policies, laws or regulations; (iv) increases in sub-contracted service costs; (v) increases in repair and maintenance costs; (vi) increases in the rate of inflation; (vii) defects affecting SF REIT's properties; (viii) environmental pollution in connection with SF REIT's properties; (ix) increases in insurance premium; (x) increases in the cost of utilities; (xi) costs and expenses not covered by the existing insurance policies; and (xii) increases in labour costs.

SF REIT may incur significant costs or liabilities related to environmental matters

SF REIT's operations are subject to various environmental laws, including those relating to air pollution control, water pollution control, waste disposal, noise pollution control, fire services control and the storage of dangerous goods. Under these laws, an owner or operator of property may be subject to liability, including a fine or imprisonment, for air pollution, noise pollution or the presence or discharge of hazardous or toxic chemicals at that property. In addition, SF REIT may be required to incur capital expenditures to comply with these environmental laws. The presence of any contamination, air pollution, noise pollution or dangerous goods without a valid licence or the failure to remedy contamination, air pollution, noise pollution or dangerous goods or non-compliance with fire services control measures may expose SF REIT to liability or materially adversely affect its ability to lease the property or to borrow using the property as collateral, which may materially adversely affect the business, financial condition, results of operations and prospects of SF REIT.

RISKS RELATING TO THE REAL ESTATE INDUSTRY AND OVERSEAS INVESTMENTS INTO THE PRC

SF REIT may be adversely affected by the illiquidity of property investments

SF REIT shall primarily invest in real estate, as required under the REIT Code. Compared to other types of investments, property investments are relatively illiquid. In particular, unlike residential properties, the market for acquiring or disposing of logistics properties has historically been less active in Hong Kong and the PRC and is affected by many factors, such as general economic conditions, availability of financing, interest rate, supply and demand of property and other factors beyond SF REIT's control. These factors may impact or act as an impediment to an exit or any contingency plan of SF REIT. In addition, logistics properties may become unprofitable due to competition, age, decreased demand or other factors, and logistics properties may not be readily converted for alternative uses. Contingency plans, such as conversion of a logistics building to a building with an alternative use, would also generally require extra capital expenditures. Such factors, together with the fact that the leases usually continue following the sale of logistics properties, may reduce the attractiveness of the properties to potential purchasers, thus affecting the ability of SF REIT to dispose of its property investments when required or warranted to do so. Although it is intended that the properties of SF REIT will be held on a long-term basis and the REIT Manager will thus have a longer time horizon for implementing any plans to dispose of SF REIT's interest in any property that has reached a stage such that it offers only limited scope for growth, these factors could nonetheless have a material adverse effect on SF REIT's business, financial condition, results of operations, prospects and ability to make expected distributions to Unitholders.

The real estate industry may be adversely affected by changes in laws and regulations in the future

The real estate industry is subject to extensive governmental regulations. As with other property owners, SF REIT must comply with various requirements mandated by laws and regulations, including policies and procedures established by local authorities designed for the implementation of such laws and regulations.

In particular, the PRC Government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control of foreign exchange, taxation, financing and foreign investment. Among other things, these measures include raising benchmark interest rates of commercial banks, placing additional limitations on the ability of commercial banks to make loans to property developers, imposing additional taxes and levies on property sales, restricting foreign investment in the PRC property sector and restricting domestic individuals to purchase properties in some cities in the PRC. For additional information on the PRC laws and regulations relating to the real estate market, please refer to Appendix VII to this Offering Circular.

Many of the real estate industry policies carried out by the Hong Kong Government and the PRC Government are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on SF REIT's operations and future business development. The REIT Manager cannot assure that the Hong Kong Government and the PRC Government will not adopt additional and more stringent industry policies and regulations governing, for example, property ownership and lease matters, in the future.

If SF REIT fails to adapt its operations to comply with new policies and regulations that may come into effect from time to time with respect to the real estate industry, or such policy changes disrupt SF REIT's business prospects or cause SF REIT to incur additional costs, SF REIT's business, financial condition, results of operations and prospects may be adversely affected.

Uncertainties with respect to the PRC legal system could have a material adverse effect on SF REIT and limit the legal protection available to investors.

SF REIT's operation in the PRC, initially at the Foshan Property and Wuhu Property, is subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The PRC Government has been learning from the common law system, and has made significant progress in promulgating laws and regulations related to economic affairs and matters, such as corporate organisation and governance, foreign investments, commerce, taxation and trade. However, many of these laws and regulations are relatively new and there is a limited volume of published decisions. Thus, there are uncertainties involved in their implementation and interpretation, which might not be as consistent and predictable as in other jurisdictions.

The PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, SF REIT may not always be aware of any potential violation of these policies and rules. Such unpredictability towards SF REIT's contractual, property and procedural rights could adversely affect SF REIT's business and impede its ability to continue the operations in the PRC.

The offshore holding companies and SF REIT may be classified as a "resident enterprise" for the purposes of PRC Enterprise Income Tax, which could result in unfavourable PRC tax consequences for SF REIT and its Unitholders

The EIT Law provides that non-resident enterprises whose "place of effective management" are located in the PRC are considered "resident enterprises" for EIT purposes and would be subject to EIT at a rate of 25% on their worldwide taxable income. Under the Implementation Rules to the EIT Law, a "place of effective management" is defined as the place where substantive and overall management and control over production and business operations, personnel, finance and accounting, and properties, etc., of the enterprise is conducted.

The SAT has issued Circular 82 to provide guidance on whether an offshore enterprise with a PRC enterprise as its primary controlling shareholder is a PRC TRE. Circular 82 sets forth four conditions for determining if an offshore enterprise with a PRC enterprise as its primary controlling shareholder has established effective management and control in the PRC for RE purposes. The PRC TRE status is recognised only when confirmation from the SAT is obtained via self-application or if this is deemed so by the tax authorities. Circular 82 targets at offshore enterprises with PRC enterprises as their primary controlling shareholder. It is possible that the SAT may make reference to the conditions used in Circular 82 when determining whether an offshore enterprise controlled by a non-PRC enterprise is a PRC TRE. As advised by the PRC Legal Advisors, it remains unclear how the PRC tax authorities will interpret such a broad definition and whether SF REIT or any of the offshore entities of SF REIT will be deemed to be a PRC TRE. Based on the REIT Manager's confirmation, as at the Latest Practicable Date, none of the offshore entities of SF REIT has been notified or informed by the PRC tax authorities that it is considered as a PRC TRE for EIT purposes.

If the PRC tax authorities subsequently determine that SF REIT or the Offshore Property Holding Companies are deemed to be or should be classified as PRC TREs, they will be subject to EIT at a rate of 25% on their worldwide taxable income. In addition, any dividends paid by the PRC TRE to its Unitholders or foreign shareholders and gains derived from the disposal of Units or equity interests in the PRC TRE by its Unitholders or foreign shareholders would be subject to PRC withholding tax at a rate of 10%, subject to applicable tax treaty relief.

Therefore, if any of the Offshore Property Holding Companies or SF REIT is deemed to be a PRC TRE, this may adversely affect the amount of distributions made by SF REIT to the Unitholders.

In addition, should there be any change to the existing PRC tax laws or regulations as mentioned above or the interpretation thereof, or any new PRC laws or regulations promulgated in the future, which have the effect of increasing the rate of withholding tax or restricting or withdrawing the preferential tax treatment, or which otherwise adversely affect the tax payable in respect of the distributions by SF REIT, there may be a material adverse impact on the Unitholders.

RMB is not freely convertible

The ability of the PRC Property Companies to remit RMB offshore and of SF REIT to make distributions to the Unitholders is subject to foreign exchange controls. The PRC Government continues to regulate conversion between RMB and foreign currencies, including Hong Kong dollar, despite PRC Government's significant relaxation of control in recent years over routine foreign exchange transactions on the current account.

The SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations. Transactions involving conversion between foreign currencies and RMB are subject to significant foreign exchange controls and the approval of the SAFE. There is no assurance that the current policies regarding conversion of RMB into foreign currencies will not be subject to tighter controls or restrictions in the future. In this regard, with respect to SF REIT's investments in the PRC property market, any changes to the foreign exchange regulations of the PRC may result in foreign exchange losses to SF REIT and subsequently reduce the distribution payable to Unitholders.

In addition, there is no assurance that the PRC Government will continue to gradually liberalise the level of control over cross-border remittances in the future or that new PRC regulations which have the effect of restricting remittances into or out of the PRC will not be promulgated. SF REIT's results of operations and the amount distributable to Unitholders would be adversely affected by any changes to the foreign exchange and cross-border remittance regulations in the PRC if it invests in the PRC property market. In the event that a problem arises in the future with respect to the repatriation of proceeds originating from the Properties out of the PRC, the REIT Manager will consider an alternative arrangement at the time, including credit facilities or the establishment of reserves, in order to meet its obligation to make distributions on a timely basis.

PRC regulation concerning loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent SF REIT from loaning to or making additional capital contributions to its PRC subsidiaries, which could materially and adversely affect SF REIT's liquidity and its ability to fund and expand its operations

PRC regulation concerning loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent SF REIT from loaning to or making additional capital contributions to its PRC subsidiaries. Any funds that SF REIT transfers to its PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration, filing and/or reporting (as applicable) with relevant governmental authorities in the PRC.

According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System (外商投資綜合管理信息系統) (the "**FICMIS**") before 1 January 2020 and reporting procedures in Enterprise Registration System (企業登記系統) and Enterprise Credit Information Publicity System (企業信用信息公示系統) after 1 January 2020 and registration with other governmental authorities in the PRC. Capital contributions to PRC subsidiaries shall go through registration, filing and/or reporting procedures (as applicable) at competent governmental authorities in the PRC. In addition, (a) any foreign loan procured by PRC subsidiaries is required to be registered with the SAFE or its local counterparts, and (b) each PRC subsidiaries may not procure loans which exceed (i) the difference between its registered capital and its total investment amount as recorded in FICMIS, or (ii) the specified upper limited calculated by using a risk-weighted approach. Any medium-or long-term loan to be provided by a foreign investor to its variable interest entity must be approved by and/or registered with the NDRC and/or the SAFE or its local branches (as applicable).

SF REIT may not obtain the requisite government approvals or complete such registration, filing and/or reporting (as applicable) on a timely basis, if at all, with respect to future capital contributions or foreign loans by SF REIT to its PRC subsidiaries. If SF REIT fails to receive such approvals or complete such registration, filing and/or reporting (as applicable), SF REIT's ability to capitalise its PRC operations may be negatively affected, which could adversely affect SF REIT's liquidity and its ability to fund and expand its operations.

The ability of SF REIT's PRC-incorporated companies to declare and pay dividends is limited by the availability of retained earnings and other factors, which may in turn impact SF REIT's distributions to Unitholders

SF REIT holds the PRC Properties through the PRC Property Companies established in the PRC and relies on dividend payments and other payments and/or distributions from the PRC Property Companies to partly finance its offshore payment obligations and distributions to Unitholders.

Under PRC law, a PRC enterprise is only permitted to declare and repatriate dividends on after-tax earnings after deducting amounts for mandated reserves. These reserve funds, if set aside discretionally by the board of directors, shareholders decision, or mandatorily by law, cannot be repatriated even if an enterprise has no losses or likely prospect of losses or these reserve funds are not needed for their prescribed purpose. Additionally, dividends may only be paid from after-tax earnings after taking into account depreciation expense, which is a non-cash charge. These reserves and depreciation charges potentially create a significant pool of trapped cash that cannot be used to pay dividends. If there are not enough retained earnings for these reserves, the amount of dividends that the PRC Property Companies can declare will be limited, thereby potentially reducing the amount of cash that can be used for distribution to Unitholders.

In the event that the PRC Property Companies are unable to obtain tax clearance certificates from the PRC tax authorities in a timely manner, SF REIT's ability to make distributions to Unitholders will also be adversely affected. As advised by the PRC Legal Advisors, there is no impediment on the remittance of dividends on retained earnings of the PRC Property Companies out of the PRC to SF REIT provided that such remittance is made in accordance with the procedures set out under the PRC Company Law and the relevant PRC foreign investment and foreign exchange laws and regulations. The ability to make payments to SF REIT may also be restricted by applicable laws and regulations that may restrict the repatriation in RMB out of the PRC. Please refer to the paragraph headed "RMB is not freely convertible" in this section in this Offering Circular.

Further, the profits available for distribution by the PRC Property Companies are determined in accordance with PRC GAAP. Such profits available for distribution by the PRC Property Companies may differ from those by SF REIT, which will be determined using IFRS, in certain significant respects, including but not limited to differences in the accounting treatments of depreciation, amortisation and impairment loss in the properties and other fixed assets of the PRC Property Companies and deferred tax thereon. Thus, the amount of profit which is available for distribution by the PRC Property Companies as determined pursuant to the relevant PRC laws and accounting requirements could be less than the amount of any distribution determined to be payable by SF REIT to the Unitholders under IFRS pursuant to its distribution policy.

Accordingly, there can be no assurance that SF REIT will receive sufficient dividends from the PRC Property Companies to meet SF REIT's own distribution requirements. In such circumstances, SF REIT may be required to take loan facilities to satisfy the payment of distributions to Unitholders. If SF REIT utilises loan facilities or other forms of borrowings to support the making of distributions to Unitholders, additional financing costs may be incurred and that in turn will reduce the distributable income of SF REIT.

SF REIT is subject to extensive PRC regulatory control on foreign investment in the real estate sector

Pursuant to the Circular on Strengthening Administration of Approval and Filing of Foreign Investment in Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知), real estate enterprises funded by foreign capital are not permitted to conduct arbitrage by purchasing and reselling real estate property in the PRC that is either completed or under construction. The regulation is believed to be aimed at controlling inflow of foreign capital by curtailing the practice of reselling properties for arbitrage adopted by some foreign investors.

The promulgation of the regulation is an indication that the PRC Government has been imposing stricter policies on foreign investment in the real estate industry. There can be no assurance that the PRC Government will not deem any transaction of real estate property or any transfer of equity interest in real estate companies as making arbitrage through transaction of real estate. There is also no assurance that the PRC Government will not implement additional restrictions on foreign investment in the real estate industry and sale and purchase of real estate property by foreign investors. Such measures may adversely affect SF REIT's investments as it may experience difficulty in remitting profits generated from the PRC Property Companies, or net proceeds from the sale of the PRC Properties, to overseas. In addition, in accordance with the laws and regulations of the PRC, the PRC Property Companies are required to obtain and maintain various valid licences, permits, or satisfy filing requirements in order to commence and operate their business including, without limitation, business licence, foreign exchange registration and filing with MOFCOM as a foreign invested company. The PRC Property Companies are required to comply with applicable laws, regulations and standards and are subject to regular and random inspections for compliance by the relevant PRC authorities. Failure to pass these inspections, or the loss of or failure to obtain or renew any licences and permits, could disrupt the operations and business of the PRC Property Companies and the business, financial condition, results of operations and prospects of SF REIT could be materially and adversely affected.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of the PRC Property Companies

Under the EIT Law and its implementation rules, the profits of a foreign-invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC are generally subject to a withholding tax rate of 10%. However, the withholding tax rate of 10% may be reduced under an applicable tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated containing a provision that specifically reduces such withholding tax. Pursuant to the avoidance of double taxation arrangement between Hong Kong and the PRC, such rate is lowered to 5% if a Hong Kong tax resident enterprise owns over 25% of a PRC company, and the Hong Kong tax resident enterprise is the "beneficial owner" of the dividends distributed by the PRC company.

The SAT promulgated rules concerning the determination of a recipient's beneficial owner status under tax treaties. In that regard, the currently applicable rules are principally set out in the Bulletin 9. Bulletin 9 provides that a "beneficial owner" is a person who has the ownership and control over the relevant income or the rights or properties that generate the relevant income. A beneficial ownership analysis will be made based on a totality of facts of each case and the "substance-over-form" principle to determine whether a recipient is entitled to tax treaty benefits. As advised by the PRC legal advisors of the REIT Manager, generally speaking, a conduit or shell company without substantial business activities will not be recognised as a "beneficial owner".

The SAT grants certain exceptions for a listed company in Bulletin 9. Where the recipient of the dividend income is an overseas resident enterprise which is listed or is 100% directly or indirectly held by a listed company and the listed company and the overseas resident enterprise and all intermediate holding companies between the listed company and the overseas resident enterprise are resident in the same country/jurisdiction, the overseas resident enterprise could be recognised as the beneficial owner of the dividend income.

The PRC Properties are currently directly owned by the PRC Property Companies, which are held by the relevant HK (PRC Property) Holding Companies. Although the REIT Manager believes that the relevant HK (PRC Property) Holding Companies, which are directly held by the relevant BVI (PRC Property) Holding Companies, may have the opportunity to qualify as the "beneficial owner" of the dividends from the PRC Property Companies, so as to avail themselves of the avoidance of double taxation agreement between Hong Kong and the PRC under the listed company exception in Bulletin 9, there is no assurance that SF REIT will be able to enjoy the reduced withholding tax rate of 5% under the avoidance of double taxation arrangement between Hong Kong and the PRC for dividends distributed by the PRC Property Companies.

Moreover, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. Furthermore, if there is any change to the existing PRC tax laws or regulations or the interpretation thereof, or any new PRC laws or regulations are promulgated in the future which have the effect of increasing the rate of withholding tax or restricting or withdrawing the preferential tax treatment, or which otherwise adversely affect the tax payable in respect of the dividend payment by the PRC Property Companies, there may be a material adverse impact on SF REIT's ability to make distributions to the Unitholders.

RISKS RELATING TO AN INVESTMENT IN THE UNITS

The Units have never been publicly traded and the Global Offering may not result in an active or liquid market for the Units

Prior to the Global Offering, there has been no public market for the Units and an active public market for the Units may not develop or be sustained after the Global Offering. Although the Units will be listed on the Hong Kong Stock Exchange following the completion of the Global Offering, this does not guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market. The REIT Manager is required under the Trust Deed to use best efforts to ensure that a minimum of 25% (or such other percentage specified or permitted by the SFC from time to time) of the outstanding Units are held by the public. There can be no assurance as to the percentage of Units which will be held by the public or as to the number of Unitholders in SF REIT at any time.

SF REIT cannot presently be privatised by way of the scheme of arrangement or compulsory acquisition mechanisms provided under the Companies Ordinance

SF REIT is not a company and the Companies Ordinance is not applicable to SF REIT. Therefore, the scheme of arrangement mechanism and the compulsory acquisition mechanism as provided under the Companies Ordinance, which may be used to privatise a company listed on the Hong Kong Stock Exchange, cannot presently be used to privatise SF REIT.

An investment in the Units presents taxation risk

SF REIT, as a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO, is exempt from Hong Kong profits tax, although the Special Purpose Vehicles and the Property Companies are subject to taxation in the respective jurisdictions. In addition, although it is understood that, under the Hong Kong Inland Revenue Department's current practice, Hong Kong profits tax will generally not be payable by a Unitholder on distributions made by SF REIT, there is no assurance that the Hong Kong Inland Revenue Department will not change its practice. Any change in the tax status of SF REIT, the Property Companies or any other entities which are controlled by SF REIT, or in taxation legislation in the PRC, Hong Kong or the Cayman Islands generally or any other jurisdiction affecting the Unitholders could affect the value of the investments held by SF REIT or affect SF REIT's ability to achieve its investment objectives or alter after-tax returns to the Unitholders. REITs in Hong Kong may differ in significant aspects, including tax treatment, from REITs in other jurisdictions. If there is any doubt as to tax position, investors are advised to and should consult their own tax advisors.

Unitholders will be structurally subordinated to all existing and future claims of creditors of the Property Companies

The claims of creditors of the Property Companies will have priority to the assets of such entities over the claims of SF REIT. The Property Companies may in the future incur unsecured or secured obligations directly. Secured creditors of the Property Companies would have prior rights of claim over the pledged assets. To a certain extent, direct creditors of the Property Companies would rank ahead of the claims of SF REIT.

Unitholders have no right to require the redemption of their Units

Unitholders have no right to require the redemption of their Units. Therefore, there can be no assurance that a Unitholder will be able to dispose of its Units at the Offer Price or any price, or at all. Accordingly, Unitholders may only be able to liquidate or dispose of their Units through a sale of such Units to third parties in the secondary market.

The price of the Units may decline after the Global Offering

The Offer Price of the Units will be determined by agreement between the REIT Manager and the Joint Global Coordinators (on behalf of the Underwriters) and may not be indicative of the market price for the Units after completion of the Global Offering. The Units may trade at prices significantly below the Offer Price after the Global Offering and the price of the Units may be volatile. The price of the Units will depend on many factors, which may change from time to time, including but not limited to: (i) the perceived prospects of SF REIT's business and investments and the real estate market; (ii) differences between SF REIT's actual financial and operating results and those expected by investors and analysts; (iii) changes in SF REIT's revenues or earnings estimates or analysts' recommendations or projections; (iv) changes in general economic or market conditions both domestically and internationally; (v) the market value of SF REIT's assets; (vi) changes in market valuations of similar companies; (vii) increases in interest rates; (viii) the perceived attractiveness of the Units against those of other equity securities, including those not relating to the real estate sector; (ix) the future size and liquidity of the market for the Units and the Hong Kong REIT market generally; (x) any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Hong Kong REITs and owners and operators of property in the relevant markets; (xi) the ability on SF REIT's part to implement successfully its investment and growth strategies and to retain its key management personnel; and (xii) broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these reasons, among other things, Units may trade at prices that are higher or lower than the attributable NAV per Unit. If SF REIT retains operating cash flow for investment purposes, as working capital reserves or for other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on SF REIT's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units. In addition, there is no guarantee provided to investors. Unitholders may not get back their full investment amount. If SF REIT is terminated or liquidated, it is possible that investors may lose all or part of their investment in the Units.

The forward-looking statement and information in this Offering Circular, including the profit forecast, may turn out to be inaccurate

This Offering Circular contains forward-looking statements regarding, among other things, forecast of net profits and distribution levels for the period from the Listing Date to 31 December 2021. These forward-looking statements are based on a number of assumptions regarding the REIT Manager's strategies and environment in which SF REIT or the REIT Manager will operate in the future, which are subject to significant uncertainties and contingencies, many of which are outside of SF REIT or the REIT Manager's control. Moreover, SF REIT's revenue is dependent on a number of factors, including the ability of the REIT Manager to fully implement its strategies, the receipt of dividends and distributions, directly or indirectly, from each Property Company as well as rent and other income from the Properties. Such income, dividends and distributions may decrease for a number of reasons, including the lowering of occupancy and rental rates, and insolvency or delay in payment by tenants, which may adversely affect SF REIT's ability to achieve the forecast distributions as some or all events and circumstances assumed may not occur as expected, or events and circumstances which are not currently anticipated may arise. Since such statements and financial information reflect only the REIT Manager's current view concerning future events, such statements and financial information necessarily involve risks, uncertainties and assumptions. These statements speak only as at the date they are made and reflect only the REIT Manager's views as at that time and the REIT Manager undertakes no obligation to update them in light of new information, circumstances or future developments. While the REIT Manager has no reason to doubt the reasonableness of its assumptions on which the forward-looking statements are based, there are known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of SF REIT or the REIT Manager to be different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information.

SF REIT's actual results may be materially different from the forecast. Although the REIT Manager considers the assumptions to be reasonable, no assurance can be given that the assumptions will be realised.

Distributions to Unitholders will be subject to the availability of cash flow from the companies held by SF REIT

The Properties are held through the Property Companies, and SF REIT will rely, directly or indirectly, on dividend payments and other distributions from the Property Companies for its income and cash flows. In order to meet its payment obligations and to pay distributions to the Unitholders, SF REIT will rely on the receipt of direct dividends, distributions, interest or intra-group loan repayments from the companies held by it.

There is no assurance that the Property Companies will have sufficient distributable or realised profits or surpluses in any future period to pay dividends, make distributions, pay interest, or make repayments or advances. The ability of the Property Companies to make such payments may be restricted by, among other things, their respective business and financial positions, any operating losses, the availability of distributable profits, changes in accounting standards, ability of obtaining financings, applicable laws and regulations which may restrict the payment of dividends, or the terms of agreements to which they are, or may become, a party. The occurrence of such factors would adversely affect the level of distributions paid to the Unitholders.

Property yield on real estate to be held by SF REIT is not equivalent to yield on the Units

Generally, property yield depends on Net Property Income and is calculated as the amount of revenue generated by the properties, less the expenses incurred in maintaining, operating, managing and leasing the properties compared against the current value of the properties. Distribution yield on the Units, however, depends on the distributions payable on the Units, after taking into account other expenses including (i) taxes, (ii) interest cost for any debt facilities, (iii) REIT management fees and trustee's fees, and (iv) other operating costs including administrative fees of SF REIT, as compared with the purchase price of the Units.

The number of Units available for future sale could have adverse effects on the Unit price of SF REIT

No prediction can be made as to the effect, if any, that the issue of Units in the future, or the availability of the Units for future sale, will have on the market price of the Units.

Upon completion of the Listing, it is expected that SF Fengtai will indirectly own approximately 35.0% (or approximately 31.8% if the Over-allotment Option is exercised in full) of the Units. Although there are restrictions on the disposal of Units by SF Fengtai for a lock-up period ending on the first anniversary from the Listing Date, there is no assurance that sales of substantial numbers of Units by other parties will not occur or that SF Fengtai will not dispose of a substantial portion of Units upon the lapse of such restrictions. Sales of a substantial number of Units by SF Fengtai or other parties in the public market following the Global Offering, or the perception that such sales could occur, could adversely affect prevailing market prices for the Units.

The NAV per Unit will be diluted if further issues are priced below the existing NAV per Unit

The Trust Deed contemplates new issues of Units, the issue price for which may be above, at or below the current NAV of SF REIT. Where new Units are issued at a price less than the existing NAV per Unit, this will result in dilution on a NAV per Unit basis.

Unitholders' interests will be diluted if all or part of the REIT Manager's compensation is paid in Units

All or part of the REIT Manager's compensation may be paid in Units in lieu of cash, in which event Unitholders will experience dilution in their holdings of Units. In addition, any issue of the Units below SF REIT's NAV for payment to the REIT Manager would result in immediate dilution to Unitholders. For further details, please refer to the section headed "The REIT Manager – Further Details Regarding the REIT Manager" in this Offering Circular.

Certain laws, rules and regulations affecting companies listed on the Hong Kong Stock Exchange do not generally apply to REITs listed on the Hong Kong Stock Exchange or to holdings of Units and only limited information may be available in relation to the interests held by Substantial Unitholders and other connected persons of SF REIT

Unitholders' rights differ from, and may be less protected in certain respects than, those granted to shareholders of companies listed on the Hong Kong Stock Exchange. Although the REIT Code contains provisions which are intended to address certain issues under the Listing Rules, not all of the Listing Rules apply to REITs, including SF REIT, as such entities are not "listed issuer(s)" within the meaning of those rules. Also, in accordance with the REIT Code, interests in Units held by connected persons of SF REIT are required to be disclosed in the annual report of SF REIT. However, as the SFO does not state that the rules on disclosure of interests set out in Part XV of the SFO apply to Units, and the provisions of the Trust Deed requiring Unitholders to disclose their interests in SF REIT do not have the force of law, this may render it difficult for the REIT Manager to enforce such provisions.

Certain rights in relation to Units in which a person has an interest or is deemed to have an interest may be suspended under the provisions of the Trust Deed

The Trust Deed contains provisions that require relevant persons to disclose to the REIT Manager information in relation to the acquisition or disposal of interests in the Units. If the REIT Manager believes a person has not complied with such disclosure of interest provisions in the Trust Deed, irrespective of whether such person is a Unitholder, the REIT Manager may, in its absolute discretion, take certain actions in respect of all or part of the Units in which such person holds or is deemed to hold an interest. Such actions may include suspending the voting rights of such Units, suspending the payment of distributions on such Units, imposing an administrative fee for such non-compliance, suspending the registration and/or declining to register any transfer of such Units.

The Units may be delisted from the Hong Kong Stock Exchange

The Hong Kong Stock Exchange imposes certain requirements for the continued listing of securities, including the Units, on the Hong Kong Stock Exchange. Investors cannot be assured that SF REIT will continue to meet the requirements necessary to maintain the listing of Units on the Hong Kong Stock Exchange or that the Hong Kong Stock Exchange will not change the listing requirements. SF REIT may be terminated if the Units are delisted from the Hong Kong Stock Exchange.

You should read the entire Offering Circular carefully and must not rely on any information contained in any other source, including press articles or other media regarding SF REIT and the Global Offering

The REIT Manager strongly cautions you not to rely on any information contained in the press articles or other media regarding SF REIT and the Global Offering. Prior to the publication of this Offering Circular, there may be press and media coverage regarding SF REIT and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this Offering Circular, including certain operating and financial information and projections, valuations and other information. None of SF REIT, SFH, SF Holding, SF Fengtai, the REIT Manager, the Trustee, the Underwriters, the Sole Listing Agent or any of their respective directors, agents, employees or advisers or any other persons involved in the Global Offering has authorised the disclosure of any such information in the press or media, or accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication, or makes any representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

To the extent that any such information is inconsistent or conflicts with the information contained in this Offering Circular, SF REIT, SFH, SF Holding, SF Fengtai, the REIT Manager, the Trustee, the Underwriters, the Sole Listing Agent and any of their respective directors, agents, employees or advisers or any other persons involved in the Global Offering disclaim responsibility for it and you must not rely on such information.

The REIT Manager estimates that the total proceeds from the Global Offering will be approximately HK$2,683.2 million (based on the Maximum Offer Price) or approximately HK$2,433.6 million (based on the Minimum Offer Price) assuming the Over-allotment Option is not exercised.

The following table sets forth the sources of SF REIT's funds following the completion of the Global Offering and the intended application of those funds (assuming that the Over-allotment Option is not exercised):

	Based on the Minimum Offer Price of HK$4.68	**Based on the Maximum Offer Price of HK$5.16**
	(HK$ million)	
Sources of funds:		
520,000,000 Units issued pursuant to the Global Offering	2,433.6	2,683.2
280,000,000 Units issued to SF Fengtai	1,310.4	1,444.8
Bank Loan Drawdown Amount	1,750.0	1,750.0
Total	5,494.0	5,878.0
Uses of funds:		
Acquisition of Predecessor Group(1)	5,350.3	5,729.7
Transaction Costs(2)	88.7	93.3
General corporate purposes	55.0	55.0
Total	5,494.0	5,878.0

Notes:

(1) The proceeds to be used for the acquisition of Predecessor Group will be applied to settle the Golden Bauhinia Promissory Note and the Final Payment (if applicable) pursuant to the Asset Injection, and to settle the outstanding consideration for: (i) the transfer of the 99% equity interests in Foshan Company (PRC) and Wuhu Company (PRC), which was completed in November 2020; and (ii) the transfer of the all the issued share of Chui Yuk to Golden Bauhinia, which was completed on 29 April 2021.

(2) Transaction costs comprise expenses relating to the Global Offering, which include underwriting commissions payable to the Underwriters (based on the final size of Global Offering), debt-related costs, legal fees, printing costs, auditors' fees, listing costs, advertisement and marketing related expenses (including roadshow expenses) and other administrative expenses.

OWNERSHIP OF AND INTEREST IN UNITS

So far as the Directors are aware, save as disclosed below, no person will, upon completion of the Global Offering, hold or be deemed to hold an interest in 5.0% or more of the issued Units.

The table and the notes below detail the number and percentage of Units to be held or, pursuant to Part XV of the SFO (which, except sections 328 and 351 thereof, will be deemed to have effect after the Listing Date, under the terms of the Trust Deed), deemed to be interested in, by the following persons (i) upon completion of the Global Offering assuming no exercise of the Over-allotment Option; and (ii) upon completion of the Global Offering assuming full exercise of the Over-allotment Option:

	Nature of interest	Upon completion of the Global Offering assuming no exercise of the Over-allotment Option		Upon completion of the Global Offering assuming full exercise of the Over-allotment Option	
		No. of Units	*% of total Units in issue*	*No. of Units*	*% of total Units in issue*
SF Fengtai	Beneficial owner	280,000,000	35.0%	254,000,000	31.8%
Sunny Sail	Interest in a controlled corporation	280,000,000	35.0%	254,000,000	31.8%
SF Holding	Interest in controlled corporations	280,000,000	35.0%	254,000,000	31.8%
Shenzhen SF Taisen	Interest in controlled corporations	280,000,000	35.0%	254,000,000	31.8%
SFH	Interest in controlled corporations	280,000,000	35.0%	254,000,000	31.8%
Mingde Holding	Interest in controlled corporations	280,000,000	35.0%	254,000,000	31.8%
WANG Wei	Interest in controlled corporations	280,000,000	35.0%	254,000,000	31.8%
Public Unitholders		520,000,000	65.0%	546,000,000	68.2%
Total		800,000,000	100.0%	800,000,000	100.0%

Note:

(1) SF Fengtai is wholly owned by Sunny Sail. Sunny Sail is wholly owned by SF Holding. SF Holding is wholly owned by Shenzhen SF Taisen. Shenzhen SF Taisen is wholly owned by SFH. As at the Latest Practicable Date, SFH was owned as to 59.3% by Mingde Holding, which was owned as to 99.9% by Mr. WANG Wei. As such, each of Sunny Sail, SF Holding, Shenzhen SF Taisen, SFH, Mingde Holding and Mr. WANG Wei is deemed to be interested in the 280,000,000 Units held by SF Fengtai.

Save as disclosed above, none of the Directors or SF Connected Tenants will be interested (for the purposes of the disclosure requirements under the compliance manual of the REIT Manager, the Trust Deed and/or the REIT Code, as applicable) in the Units immediately upon listing of the Units.

THE CORNERSTONE PLACING

The REIT Manager (in its capacity as manager of SF REIT) and the Joint Global Coordinators have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**" and together, the "**Cornerstone Investment Agreements**") with two cornerstone investors as set out below (each a "**Cornerstone Investor**", and together, the "**Cornerstone Investors**") on Friday, 30 April 2021, pursuant to which, the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for a certain number of Offer Units at the Offer Price for an aggregate amount of USD50.0 million (or approximately HK$387.7 million) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$4.68 (being the low-end of the indicative Offer Price range), the total number of Offer Units subscribed for by the Cornerstone Investors would be 82,834,000, representing approximately 15.9% of the Offer Units and approximately 10.4% of the total number of Units in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Assuming an Offer Price of HK$4.92 (being the mid-point of the indicative Offer Price range), the total number of Offer Units subscribed for by the Cornerstone Investors would be 78,794,000, representing approximately 15.2% of the Offer Units and approximately 9.8% of the total number of Units in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Assuming an Offer Price of HK$5.16 (being the high-end of the indicative Offer Price range), the total number of Offer Units subscribed for by the Cornerstone Investors would be 75,128,000, representing approximately 14.4% of the Offer Units and approximately 9.4% of the total number of Units in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

The REIT Manager is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Placing will help to raise the profile of SF REIT and to signify that such investors have confidence in the business and prospect of SF REIT. The REIT Manager became acquainted with each of the Cornerstone Investors through introduction by the Joint Global Coordinators in the Global Offering.

To the best knowledge of the REIT Manager, each of the Cornerstone Investors is (i) an independent third party of SF REIT and is not a connected person of SF REIT; and (ii) independent of each other and makes independent investment decisions. The Offer Units to be subscribed by the Cornerstone Investors may be affected by any reallocation of the Offer Units between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this Offering Circular. Details of the actual number of Offer Units to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by the REIT Manager on or around Friday, 14 May 2021.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Units (other than pursuant to the Cornerstone Investment Agreements). The Offer Units to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Units then in issue upon completion of the Global Offering and to be listed on the Hong Kong Stock Exchange and will be counted towards the public float of SF REIT. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in the REIT Manager, nor will they become a Substantial Unitholder. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements (other than a guaranteed allocation of the relevant Units at the final Offer Price) as compared with other public Unitholders.

To the best knowledge of the REIT Manager and as confirmed by each of the Cornerstone Investors, the source of funding for its subscription in respect of the Cornerstone Placing was from its internal resources. As confirmed by the REIT Manager and each of the Cornerstone Investors, (i) its Cornerstone Placing was not directly or indirectly financed by the REIT Manager, the Directors, chief executive of the REIT Manager, any Substantial Unitholder or other connected persons of SF REIT; (ii) such Cornerstone Investor was not accustomed to take any instructions from the REIT Manager, the Directors and chief executive of the REIT Manager, any Substantial Unitholder or other connected persons of SF REIT in relation to the acquisition, disposal, voting or any other disposition of securities of SF REIT; and (iii) there was no side agreement or arrangement made between such Cornerstone Investor and the REIT Manager, the Directors, the chief executive of the REIT Manager, any Substantial Unitholder, Property Company or any of their respective affiliates, directors, officers, employees or agents in respect of the Cornerstone Placing. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest.

One of the Cornerstone Investors has agreed that the Joint Global Coordinators may defer the delivery of all or any part of the Offer Units it has subscribed for to a date later than the Listing Date. The deferred delivery arrangement is in place to facilitate the over-allocation in the International Placing. In case of such a deferral, the Cornerstone Investor has agreed that it shall pay for the relevant Offer Units on or before the Listing Date. For the avoidance of doubt, all investment payments will be settled by all the Cornerstone Investors on or before the Listing Date. For details of the Over-allotment Option and the stabilisation action by the Stabilising Manager, please refer to the sections headed “Structure of the Global Offering – The International Offering – Over-allotment Option” and “Structure of the Global Offering – Stabilisation” in this Offering Circular, respectively.

THE CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Investment Amount(1)	Indicative Offer Price(3)	Number of Offer Units to be subscribed for (rounded down to the nearest whole board lot of 1,000 Units)	Assuming that Over-allotment Option is not exercised: Approximate percentage of the Offer Units	Assuming that Over-allotment Option is not exercised: Approximate % of the total number of Units in issue immediately following the completion of the Global Offering	Assuming that Over-allotment Option is fully exercised: Approximate % of the Offer Units	Assuming that Over-allotment Option is fully exercised: Approximate % of the total number of Units in issue immediately following the completion of the Global Offering
China Orient Multi-Strategy Master Fund	US$25.0 million	Low-end: HK$4.68	41,417,000	8.0%	5.2%	7.6%	5.0%
	(HK$193.8 million)(2)	Mid-Point: HK$4.92	39,397,000	7.6%	4.9%	7.2%	4.8%
		High-end: HK$5.16	37,564,000	7.2%	4.7%	6.9%	4.5%
CI Global Asset Management	US$25.0 million	Low-end: HK$4.68	41,417,000	8.0%	5.2%	7.6%	5.0%
	(HK$193.8 million)(2)	Mid-Point: HK$4.92	39,397,000	7.6%	4.9%	7.2%	4.8%
		High-end: HK$5.16	37,564,000	7.2%	4.7%	6.9%	4.5%

Notes:

(1) The investment amount is exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%.

(2) For reference only, based on an exchange rate of US$1.00: HK$7.7534 as described in the section headed "Information about this Offering Circular and the Global Offering – Exchange Rates". The actual investment amount of the Cornerstone Investor in Hong Kong dollars may vary based on the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement, which is the closing Hong Kong dollar: US dollar exchange rate quoted by Reuters at 11:00 am (Greenwich Mean Time) on the business day immediately prior to the date on which the Offer Price is determined by the REIT Manager and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering).

(3) Being the low-end, mid-point and high-end of the proposed indicative Offer Price range set out in this Offering Circular, respectively.

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. China Orient Multi-Strategy Master Fund

China Orient Multi-Strategy Master Fund has agreed to acquire such number of Offer Units (rounded down to the nearest whole board lot) which may be purchased USD25.0 million (or approximately HK$193.8 million) at the Offer Price.

China Orient Multi-Strategy Master Fund is a company incorporated in the Cayman Islands and is managed by China Orient International Asset Management Limited ("**China Orient**"). China Orient was incorporated in Hong Kong and is an indirect wholly-owned subsidiary of China Orient Asset Management Co., Ltd. ("**COAMC**"). COAMC's predecessor, China Orient Asset Management Corporation, was one of the big-four asset management companies established by China Ministry of Finance in 1999. In 2016, it completed the shareholding restructuring and changed its name to its current name. COAMC's business includes a variety of financial services, such as non-performing assets, insurance, banking, securities, trust, credit rating and investment.

2. CI Global Asset Management

Nine Canadian investment funds managed by CI Global Asset Management have agreed to acquire, in aggregate, such number of Offer Units (rounded down to the nearest whole board lot) which may be purchased with USD25.0 million (or approximately HK$193.8 million) at the Offer Price. The investment funds are Signature Global REIT Fund, Select International Equity Managed Fund, Select International Equity Managed Corporate Class, Emerging Markets Equity Pool, Emerging Markets Equity Corporate Class, Signature Emerging Markets Fund, Signature Emerging Markets Corporate Class, Signature Asian Opportunities Fund and Signature Asian Opportunities Corporate Class.

CI Global Asset Management is one of Canada's largest investment management companies. It offers a wide range of investment products and services. CI Global Asset Management is a subsidiary of CI Financial Corp. (TSX: CIX; NYSE: CIXX), an independent company offering global asset management and wealth management advisory services with approximately CAD241 billion in total assets as at 31 March 2021.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor to subscribe for the Offer Units under the relevant Cornerstone Investment Agreement is subject to, among other things, the following conditions precedent:

(a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed according to the Underwriting Agreements and the Price Determination Agreement to be signed among the parties thereto in connection with the Global Offering;

(c) the SFC having authorised SF REIT as a Hong Kong collective investment scheme pursuant to section 104 of the SFO and the issue of this Offering Circular pursuant to section 105 of the SFO, and such authorisations not subsequently revoked, withdrawn, qualified (other than by customary conditions) or withheld;

(d) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the Units (including the Units to be subscribed for by the Cornerstone Investor in the International Offering in accordance with the terms and conditions of the relevant Cornerstone Investment Agreement) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked, withdrawn, qualified (other than by customary conditions) or withheld prior to the commencement of dealings in the Units on the Hong Kong Stock Exchange;

(e) no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the relevant Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(f) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the relevant Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investor Agreement on the part of the Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors agrees and undertakes to each of the REIT Manager, the Joint Global Coordinators and the Sole Listing Agent that, among other things, without the prior written consent of each of the REIT Manager, the Joint Global Coordinators and the Sole Listing Agent, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date, directly or indirectly:

(a) dispose of, in any way, any of the Offer Units subscribed for by the relevant Cornerstone Investor pursuant to the relevant Cornerstone Investment Agreement or any interest in any company or entity holding any Relevant Units;

(b) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or

(c) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction,

and in the case of China Orient Multi-Strategy Master Fund, save for any transfer of all or part of such Units to any direct or indirect wholly-owned subsidiary of the Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary gives a written undertaking agreeing to, and the relevant Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, be bound by the Cornerstone Investor's obligations under the relevant Cornerstone Investment Agreement.

Distributions to Unitholders will, subject to compliance with applicable legal and regulatory requirements, be declared and paid in Hong Kong dollars. 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.

For these purposes, and under the terms of the Trust Deed, "**Annual Distributable Income**" for a financial year is the amount calculated by the REIT Manager (based on the audited financial statements of SF REIT for that financial year) as representing the consolidated audited net profit after tax of SF REIT and its subsidiaries for that financial year, as adjusted for the Adjustments (as defined below) and, for the avoidance of doubt, calculated after accounting for the Base Fee and the Variable Fee payable to the REIT Manager and excludes any additional discretionary distributions out of capital. After eliminating the effects of these Adjustments, Annual Distributable Income may be different from the net profit recorded for the relevant financial year.

"**Adjustments**" means adjustments which are charged or credited to the consolidated income statement of SF REIT for the relevant financial year or the relevant distribution period (as the case may be), including: (i) unrealised property revaluation gains and losses, including impairment provisions and reversals of impairment provisions; (ii) goodwill impairment (charged) and/or negative goodwill (credited); (iii) differences between financial costs recognised on the financial statements and interest paid and payable in accordance with contractual obligations during that financial year or that distribution period (as the case may be); (iv) realised gains on the disposal of financial instruments or the disposal of properties and/or disposal of the Special Purpose Vehicle or Joint Venture Entity which holds such properties; (v) fair value gains and losses on financial instruments; (vi) deferred tax charges/credits in respect of property valuation movements, building allowances/capital allowances, fair value gains and losses on financial instruments, withholding tax on retained profits to be distributed and other tax losses or other deductions claimed; (vii) allocation of statutory reserve as required by applicable laws; (viii) the portion of the REIT Manager's fee that is paid in the form of Units; (ix) non-cash foreign exchange gains or losses; (x) costs of any public offering of Units, Convertible Instruments or other forms of debt and/or securities that are expensed through the consolidated income statement but are funded by proceeds from the issuance of such Units, Convertible Instruments or other forms of debt and/or securities; (xi) depreciation and amortisation in respect of a real estate directly or indirectly owned by SF REIT, and its ancillary machinery, equipment and other fixed assets; and (xii) other material non-cash gains/losses, in each case as recorded in the consolidated income statement for the financial year. For the avoidance of doubt, the Adjustments also apply to SF REIT's share of gains, losses, charges and credits arising from an investment in a Joint Venture Entity. Based on and in sole reliance upon the information and assurances provided by the REIT Manager, and having regard to the minimum distribution requirement expressed in paragraph 7.12 of the REIT Code, the Trustee's duties under the REIT Code and the Trustee's fiduciary duties, the Trustee has no objection to the definition of "Adjustments" as described above.

The REIT Manager also has the discretion to direct the Trustee from time to time to make distributions over and above the minimum 90% of Annual Distributable Income if and to the extent SF REIT, in the opinion of the REIT Manager, has funds surplus to its business requirements. The REIT Manager currently intends to distribute 100% of the Annual Distributable Income for the Profit Forecast Period.

Under the Trust Deed, the REIT Manager will, subject to applicable laws, endeavour to ensure that at least one distribution shall be made in respect of each financial year and paid no later than five months after the distribution calculation date for the relevant distribution period. SF REIT's first distribution will comprise: (i) the distribution for the period from and including the Listing Date to 30 June 2021; and (ii) the distribution for the six months ending 31 December 2021, both of which will be paid no later than the end of May 2022.

SF REIT's initial distribution policy is that, save for the first distribution, two distributions will be made each year, with respect to the six-month periods ending 30 June (the interim distributions) and 31 December (the final distributions). The Directors anticipate that the interim and final distributions will be respectively paid by the end of November in the same year and May in the following year.

The REIT Manager may adopt such rules as it considers appropriate for the reinvestment by Unitholders of any distributions to be made by SF REIT in return for new Units but no Unitholder shall be obliged to receive Units in lieu of a cash distribution. Under Hong Kong's current tax law, distributions may be made free of withholdings or deductions on account of Hong Kong tax. It is understood that, under the Hong Kong Inland Revenue Department's current practice, Hong Kong profits tax will generally not be payable by a Unitholder on distributions made by SF REIT. However, Unitholders should take advice from their own professional advisors as to their particular tax position.

Distributions to Unitholders will be declared and paid in Hong Kong dollars. SF REIT's ability to make distributions is dependent on, among other things, the Trustee having sufficient cash in SF REIT to make the payments required and the ability to remit profits generated from the PRC Property Companies from the PRC to overseas. If the Trustee does not have sufficient cash in SF REIT to pay distributions, SF REIT may be required to obtain financing to satisfy the payment of distributions to Unitholders. For further details, please refer to the sections headed "Risk Factors – Risks relating to the Real Estate Industry and Overseas Investments into the PRC – The ability of SF REIT's PRC-incorporated companies to declare and pay dividends is limited by the availability of retained earnings and other factors, which may in turn impact SF REIT's distributions to Unitholders" and "Risk Factors – Risks relating to the Real Estate Industry and Overseas Investments into the PRC – RMB is not freely convertible" in this Offering Circular.

SF REIT may make distributions out of capital beyond the Annual Distributable Income. The composition of distributions declared by SF REIT (including, but not limited to, the extent to which the distribution declared or made is composed of, and the types of, income and capital) shall be determined by the REIT Manager in its absolute discretion and will be disclosed in the relevant results announcements, interim reports and annual reports of SF REIT.

For information on the forecast distributions for the period from the Listing Date to 31 December 2021, please refer to the section headed "Statement of Distributions" in this Offering Circular.

SF REIT is the first logistics-focused REIT to be listed in Hong Kong. Its key investment objectives are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of SF REIT's properties.

The investment focus of SF REIT shall be income-generating real estate globally, with an initial focus on logistics properties. The three Properties in SF REIT's initial portfolio offer investors direct exposure to modern logistics properties in Hong Kong and the PRC.

Backed by SFH, the largest express delivery company in China, and managed by a highly experienced management team at the REIT Manager, SF REIT presents Unitholders with an attractive investment proposition for the following reasons.

PRIME PROPERTY PORTFOLIO LOCATED AT STRATEGIC LOCATIONS IN HONG KONG AND THE PRC

According to the Market Consultant Report, there is a growing shortage of modern logistics properties in Hong Kong and the PRC. The shortage is primarily attributable to the combination effect of the scarcity of suitable sites in the Greater Bay Area and other prime cities in the PRC, as well as increasing demand from tenants in the logistics, express delivery, e-commerce and cold storage sectors due to their rapid growth as a result of shifting consumer demands globally.

SF REIT's initial portfolio at Listing comprises three modern logistics properties with distribution centres equipped with automatic sorting and supply chain support facilities. Modern logistics properties can be distinguished from other logistics properties due to their relatively low age and relatively high degree of modernisation, allowing them to be used by tenants for multiple purposes and more efficiently. The Hong Kong Property is certified by the U.S. Green Building Council as meeting the Leadership in Energy and Environmental Design (LEED) Gold Certification standards. According to the Market Consultant Report, as at the end of 2020, the Foshan Property was the sixth largest (by Gross Floor Area) modern logistics property in the Nanhai District of Foshan and the 16th largest in Foshan, while the Wuhu Property was the fourth largest modern logistics property in Wuhu.

As the Properties are relatively new, with a weighted average age by Gross Lettable Area of approximately 3.5 years and a weighted average remaining land tenure by Gross Lettable Area of 37.9 years as at 31 December 2020, they have been developed with modern technologies in mind which are attractive to tenants and allow the Properties to command a rental premium compared to non-modern logistics properties. Given their age and specifications, the REIT Manager does not expect substantial capital expenditure for maintenance, refurbishment or upgrade of the Properties in near term.

The Properties are situated at strategic locations close to major airports and seaports, and accessible by major roads and expressways, in their respective cities.

Hong Kong Property

Completed in 2014, the Hong Kong Property, comprising a distribution centre equipped with automatic sorting and supply chain support facilities, is a 15-storey ramp-up modern logistics property, which is characterised as a modern logistics property that provides vehicular ramp access to each warehouse floor. The Hong Kong Property has an a total Gross Lettable Area of approximately 1,725,692.5 sq.ft. (equivalent to 160,322.2 sq.m.) and is the largest of the Properties by size and Appraised Value, comprising approximately 52.1% of the total Gross Lettable Area and 86.7% of the total Appraised Value of the Properties as at 31 March 2021. Located in Tsing Yi adjacent to Kwai Tsing Container Terminal No. 9 that connects to other business ports in the world, the Hong Kong Property is in close proximity to Hong Kong International Airport, and accessible by major roads and transportation infrastructure such as the Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link.

Hong Kong, being a key node city under the "Belt and Road Initiative" and a core city in the Greater Bay Area, is recognised as an international logistics and trade hub. Benefiting from Hong Kong's free trade policies, low tax rates and proximity to the PRC, the logistics sector has grown and expanded rapidly over the last decade, giving rise to an increasing demand for more and higher quality warehouse space in Hong Kong. Modern logistics properties with built-in smart facilities and systems are preferred by logistics operators over traditional warehouses.

There is a limited supply of modern logistics properties in Hong Kong. According to the Market Consultant Report, approximately 76.0% of the modern logistics properties in Hong Kong are more than 20 years of age and only approximately 18.8% are less than ten years of age as at the end of 2020, with the average vacancy rate of the latter being as low as 2.9% at the end of 2020. Further, no additional modern logistics pipeline projects in Hong Kong are expected to complete before 2022. It is also difficult to convert non-modern logistics properties to modern logistics properties since conversion would involve significant physical transformation, such as loading capacity and net ceiling height, which is costly and time-consuming. Conversion may not be feasible, for example, where a traditional warehouse is located in a place with low power distribution that fails to meet the high energy consumption requirements of modern warehouses. Due to the limited supply of modern logistics properties in Hong Kong, they commanded a 11.8% premium in rent over non-modern logistics properties in 2020.

These market conditions, together with the Hong Kong Property's prime location, modern facilities and optimised leasing strategies, give the Hong Kong Property a competitive edge that is conducive for future growth.

Foshan Property

Completed in March 2021, the Foshan Property is a modern logistics property which has a total Gross Lettable Area of approximately 84,890.8 sq.m. and is equipped with intelligent technology and built-to-suit facilities, such as automatic sorting and supply chain support facilities. It is strategically located close to Foshan Shadi Airport, Foshan West Railway Station, Guangzhou Railway Station and Guangzhou Baiyun Airport.

Foshan is a core city located at the Pearl River Delta in the south-central part of Guangdong Province. It is one of the 11 cities in the Greater Bay Area, with established transport links to other parts of the Greater Bay Area. Foshan serves as the main interchange station for a number of railway routes, including the Guangzhou-Zhuhai intercity railway which links Foshan with Guangzhou, Zhongshan, Zhuhai, Hong Kong and Macao.

Due to the synergetic development of cities in the Greater Bay Area and the position of Foshan as the manufacturing centre of west Greater Bay Area, there is a robust demand for logistics properties and other logistics facilities in Foshan. According to the Market Consultant Report, the demand for modern logistics properties in Foshan has risen with an average year-on-year growth rate of 38.5% from 2016 to 2020, with the average annual vacancy rate of such properties being 10.0% as at the end of 2020.

With emerging demand for modern logistics properties in Foshan, the average rent for these properties increased from RMB0.89 per sq.m. per day in 2015 to approximately RMB1.20 per sq.m. per day during the fourth quarter of 2020. The Market Consultant estimates that by 2025, the vacancy rate will fall further to 9.4%, while rent will continue to rise to approximately RMB1.44 per sq.m. per day.

Wuhu Property

Completed in 2019, the Wuhu Property is a modern logistics property with a total Gross Lettable Area of approximately 62,404.5 sq.m. and comprises of two high standard warehouses, a distribution centre equipped with automatic sorting and supply chain support facilities, a research and development building and two ancillary buildings. The Wuhu Property is located within the Jiujiang Economic Development Area, a national level development zone and a cluster for logistics and industrial enterprises in Wuhu. It enjoys close proximity to Wuhu East High Speed Railway Station, Wuhu International Cargo Port and Ningwu Highway.

Following the opening of the Shangqiu-Hefei-Hangzhou High Speed Railway in June 2020, Wuhu is approximately 4 hours commute from Beijing and 1.5 hours commute from Hangzhou. Wuhu is also located near the Wuhu Port along the southern end of the Yangtze River, which is one of the 28 major river ports in the PRC. With advanced highway, railway and shipping networks boosting inter-city connectivity, Wuhu's positioning as a key transportation hub in the Yangtze River Delta Economic Region and a national transportation hub in the PRC drives its logistics industry and logistics property market.

Leveraging on its competitive capabilities in automobile, mechanical, materials, electronics and cables industries, Wuhu is able to connect with comprehensive industrial chains nationwide. E-commerce and third-party logistics sectors have also established and expanded their presence in Wuhu, further driving demand for logistics and warehousing facilities.

CAPITALISING ON THE GROWTH OF THE HONG KONG AND PRC LOGISTICS AND E-COMMERCE MARKETS

The REIT Manager believes that the Properties are well-positioned to capture increasing demand for modern logistics properties arising from the growth of the logistics and e-commerce markets, as well as favourable government policies in Hong Kong and the PRC.

Growth of the Hong Kong and PRC logistics and e-commerce markets which drive the demand for logistics facilities

With its strategic location in Asia, Hong Kong is able to capture both growing domestic inbound and international outbound trade demands. According to the Market Consultant Report, in 2019, Hong Kong has the busiest airport for cargo since 2006, the eighth busiest container port and the fourth largest shipping register in the world. According to the Logistics Performance Index Report published by the World Bank, Hong Kong's logistics industry has been ranked in the world's top 10 during 2012 to 2018. Meanwhile in the PRC, numerous national strategies, such as the 13th Five-year development plan for express delivery industry (快遞業發展"十三五"規劃) promulgated by the PRC Government in 2017, seek to advance the logistics industry in the PRC. The express delivery market in the PRC grew at a CAGR of approximately 25.9% during 2015 to 2020 and the Market Consultant estimates that the total revenue of the express delivery will continue to increase steadily at a CAGR of 14.5% from 2020 to 2025.

The growth of the e-commerce market in Hong Kong and the PRC is a major driver for the logistics properties market as e-commerce activities require comprehensive logistics and warehousing support for merchandise storage and distribution. Underpinned by increasing internet usage and household spending power in Hong Kong and the PRC, the e-commerce market has expanded rapidly in these markets over the last decade. According to the Market Consultant Report, the size of Hong Kong's e-commerce market increased with a CAGR of 34.2% from 2015 to 2020 and is expected to continue increasing at a CAGR of 12.0% from 2020 to 2025, while the CAGR for e-commerce market in the PRC was 24.8% during 2015 to 2020 and is expected to be 13.2% during 2020 to 2025. The outbreak of the COVID-19 pandemic has also accelerated structural changes in consumers' spending habits and retailers' supply chain management, causing retailers and suppliers to modernise and improve their logistics facilities and capabilities in response to these changes.

Favourable government policies which encourage the growth of the modern logistics property market

To support future trade flow, the Hong Kong government has issued many initiatives master plans and policies to support the construction of transportation infrastructure. The major existing and upcoming infrastructure projects, such as: (i) the third runway of Hong Kong International Airport; (ii) the Liantang, Heung Yuen Wai Boundary Control Point; (iii) the Hong Kong-Zhuhai-Macao-Bridge; and (iv) the Shenzhen Bay Bridge, enhance the connectivity between Hong Kong and the PRC and promote the growth of the trading and logistics sectors as well as the modern logistics property market in Hong Kong.

The PRC government has introduced a series of favourable policies and reforms to support the development of the logistics sector in the PRC, which consequentially benefits the modern logistics property market. These policies generally pertain to logistics infrastructure and taxation benefits. For example the: (i) "Layout and Construction Plan of National Logistics Hubs (《國家物流樞紐佈局和建設規劃》)" issued by the NDRC and the Ministry of Transport in 2018, emphasises the importance of national logistics hubs and government support on logistics land use; and (ii) "Implementation Opinions on Supporting Private Enterprises in Accelerating Reform, Development, Transition and Upgrading (《關於支持民營企業加快改革發展與轉型升級的實施意見》)", reduces the logistics costs and establishes logistics infrastructure land guarantee mechanism.

HIGH-QUALITY AND STABLE TENANT BASE

As the Properties were initially developed to support SFH's logistics network and to facilitate its global operations, most of the Gross Lettable Area of the Properties have been leased to and operated by subsidiaries of the SFH Group, which collectively contributed approximately 62.4%, 72.1% and 78.3% of the total revenue for each of the three years ended 31 December 2018, 2019 and 2020, respectively. Save for the Foshan Property which is currently leased entirely to a local operating subsidiary of SFH, the Properties are also tenanted by other third party supply chain and logistics companies. During the Track Record Period, there were no major rental delinquencies or dispute in respect of the Properties.

While the SF Connected Tenants contribute a relatively high percentage of the total rental income generated by the Properties, the REIT Manager considers this arrangement to be beneficial to SF REIT as it provides a high degree of income stability for SF REIT. Given certain facilities were specifically built to suit their operational needs and large capital expenditures were spent, for example, on building heavy machinery and equipment to their specifications, the REIT Manager does not expect the SF Connected Tenants to vacate the Properties for other modern logistics properties in the short to medium term. In addition, all subsisting SF Leases are for a term of five years and do not allow the SF Connected Tenants to early terminate save for limited circumstances such as the occurrence of force majeure events. The SF Lease Guarantees provided by SF Holding and Shenzhen SF Taisen in respect of all the SF Connected Tenants' obligations under the SF Leases provide additional certainty of income stream of the Properties and stability of distributions to Unitholders. For further details of the SF Lease Guarantees, please refer to the section headed "Connected Party Transactions – Continuing Connected Party Transactions – Fully Exempt Continuing Connected Party Transactions with SF Connected Persons – SF Lease Guarantees" in this Offering Circular.

REPUTABLE AND COMMITTED SPONSOR WITH EXTENSIVE NETWORK AND EXPERIENCE IN LOGISTICS SECTOR

SF REIT is sponsored by SFH, a company listed on the Shenzhen Stock Exchange and one of the PRC's leading express and logistics service providers of comprehensive end-to-end integrated logistics and supply chain management solutions. SFH wholly owns the REIT Manager and is expected to indirectly hold approximately 35.0% of SF REIT (assuming the Over-allotment Option is not exercised) at the time of Listing. As such, SF REIT stands to benefit from SFH's market reach and mature logistics network both in Hong Kong and the PRC.

SFH is a leading integrated logistics services provider in China. Founded in 1993, SFH is one of the earliest express delivery companies in China and has grown into a leading logistics player with the best performance on time-definite parcel service in 2020 according to the State Post Bureau of China. Over the years, SFH has gradually expanded from core express delivery into comprehensive business segments of the logistic industry including freight, cold chain, international and intra-city services, cross-border logistics and supply chain management. SFH is the largest express delivery company in China and ranked fourth globally in terms of revenue among all postal and express delivery services enterprises in 2020, according to the Market Consultant Report. According to the Express Delivery Service Satisfaction Survey conducted by the State Post Bureau of China from 2013 to 2020, SFH ranked first in overall satisfaction for eight consecutive years.

Over the last 28 years, SFH has developed a comprehensive and integrated logistics network, which is made up of (a) a ground network with (i) a nationwide express delivery network covering 335 prefecture-level cities, 2,867 county-level cities and approximately 19,000 direct service points in the PRC and (ii) an overseas express delivery network covering 78 countries as at 31 December 2020; (b) an aviation network with a total of 75 all-cargo aircrafts, 2,110 cargo aircraft and commercial flight routes as at 31 December 2020 and an average of 3,743 flights per day for the year ended 31 December 2020; and (c) an information network with smart platforms, artificial intelligence systems and smart logistics map to support SFH's logistics and supply management solution offering.

GROWTH POTENTIAL THROUGH FUTURE ACQUISITIONS OF PIPELINE ASSETS FROM THE SFH GROUP

To support the expansion of its logistics operations and service network, SFH has developed or acquired a number of real estate projects across the PRC. As at 31 December 2020, SFH has property projects in 50 PRC cities, with total planned construction area of approximately 4.4 million sq.m., and completed construction area of 1.7 million sq.m.. Many of these property projects, like the Properties, are modern logistics properties which have integrated facilities dedicated to the sorting, distribution and/or storage of goods.

As the sponsor of SF REIT, SFH is committed to support the future expansion and growth of SF REIT. Accordingly, SFH has agreed to grant a ROFR which shall give SF REIT access to potential acquisition opportunities from SFH or SFH Relevant Subsidiaries for the first five years upon Listing. Under the ROFR, if SFH or SFH Relevant Subsidiaries propose to dispose of a Relevant Property, SFH must first give a Sale Notice to the REIT Manager and the Trustee and allow the REIT Manager to elect to exercise the ROFR to acquire such property by a pre-agreed time. A Relevant Property must meet the following criteria: (i) the property must fulfil (or would reasonably be regarded as fulfiling) the investment criteria and property characteristics, and is consistent (or would reasonably be regarded as being consistent) with the investment strategy of the REIT Manager for property investments by SF REIT; (ii) the property must be a completed property; and (iii) SFH directly or indirectly holds majority ownership interest in the property, and no pre-emptive rights have been granted to the minority owners (if any). For further details, please refer to the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal" in this Offering Circular.

The REIT Manager believes the ROFR, backed by SFH's network and resources, will be beneficial and instrumental to SF REIT's future expansion and income growth. After Listing, the REIT Manager will, leveraging on its knowledge and expertise in conducting property investment, actively search for suitable acquisition opportunities for SF REIT.

HIGHLY EXPERIENCED MANAGEMENT TEAM WITH A PROVEN TRACK RECORD

SF REIT is managed by the REIT Manager, SF REIT Asset Management Limited, who has the overall power and responsibility to manage SF REIT and the Properties. The REIT Manager is supported by the PRC Operations Managers and the Hong Kong Property Manager, who have been delegated certain day-to-day operational functions but are subject to the oversight and supervision of the REIT Manager. Each of the REIT Manager and the PRC Operations Managers are indirectly wholly-owned by SFH and composed of personnel who have been operating and managing the Properties historically. The Hong Kong Property Manager, being an independent third party of SF REIT and a reputable professional property management service company, has serviced the Hong Kong Property since 2017.

The operation and property management teams have a proven track record of actively managing the Properties and delivering consistent operating results. The Properties recorded a high average Occupancy Rate of 95.3% as at the Latest Practicable Date, and the NPI increased at a CAGR of approximately 5.6% from 2018 to 2020.

For further details about the backgrounds and track record of the PRC Operations Managers and the Hong Kong Property Manager, please refer to the section headed "The PRC Operations Managers and the Hong Kong Property Manager" in this Offering Circular.

The Board and the senior executives of the REIT Manager have extensive industry experience in property investment and property management as well as expertise in the logistics industry. The senior management team of the REIT Manager, who will be responsible for the day-to-day operation of SF REIT, is highly experienced in managing a REIT's investments and operations. In particular, Mr. Hubert CHAK, the Chief Executive Officer, an executive Director, and a Responsible Officer of the REIT Manager, has over 30 years of experience in the real estate and financial industries and was previously the director of finance and a responsible officer at Link Asset Management Limited, the manager of Link Real Estate Investment Trust (stock code: 823), where he oversaw the finance, capital markets and investor relations functions of Link Real Estate Investment Trust.

Having regard to the track record of the operation and property management teams as well as the expertise and experience of its senior management team, the REIT Manager is confident that SF REIT will be able to deliver to Unitholders long-term and stable distribution with continuous enhancement of the value of its assets.

The REIT Manager's key objectives for SF REIT are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of SF REIT's properties. The REIT Manager intends to achieve this through holding and investing in high quality income-generating real estate globally, with an initial focus on logistics properties located in Hong Kong and the PRC.

The REIT Manager intends to achieve the abovementioned key objectives by implementing the following strategies:

- **Asset management strategy**: To proactively manage SF REIT's business and operational performance, including optimising occupancy and lease renewal rates, to achieve higher revenue growth and diversified income stream across geographies and asset classes.

- **Investments and acquisition strategy**: To pursue acquisition opportunities with income and capital growth potential, whether such opportunities are derived from the SFH Group or third parties, to provide sustainable returns to the Unitholders and enhance asset value.

- **Property development strategy**: To undertake Property Development and Related Activities that are value enhancing to the existing portfolio and may undertake re-development activities in respect of its existing properties if necessary, to cater for key tenants' operational needs and specifications.

- **Capital and risk management strategy**: To maintain a strong balance sheet by optimising SF REIT's capital structure through the management of SF REIT's cost of debt financing and interest rate exposure. Prudent cash management to maintain ample liquidity positions as well as financing capabilities to capitalise on strategic opportunities when they arise.

ASSET MANAGEMENT STRATEGY

After Listing, the REIT Manager will aim to achieve organic distribution and capital growth through the active management of SF REIT's asset portfolio. The REIT Manager will seek to maintain high tenancy retention rates and occupancy rates, while minimising tenancy delinquency rates and property expenses, in respect of SF REIT's properties.

The REIT Manager intends to achieve the abovementioned aim through the following initiatives and strategies:

- ***Attracting new tenants and exploring the expansion needs of existing tenants –*** The REIT Manager will proactively explore ways to expand the prospective tenant base by enhancing the overall attractiveness and marketability of SF REIT's properties working closely with the Hong Kong Property Manager and PRC Operations Managers. For example, the REIT Manager may procure that asset enhancement works be carried out so as to meet the expansion needs of existing tenants or demand for space by new tenants, and/or provide any other value-added services they require. The REIT Manager will also, leveraging on the knowledge and experience of the SFH Group in carrying out asset enhancement works, identify premises that can be better utilised or remodelled for the purposes of improving the yield for that property, and supervise the carrying out of such works. The REIT Manager is also able to leverage on the well-established customer base and network of SFH, which consists of large-scale and renowned PRC and global enterprises, to explore and source potential new tenants.

- ***Improving rental rates while maintaining high occupancy rates –*** The REIT Manager will actively manage lease renewals and new leases through: (i) advancing lease negotiations with tenants whose leases are due for expiry; (ii) identifying and rectifying leases which have passing rents that are below market levels; (iii) actively marketing (together with the Hong Kong Property Manager and the PRC Operations Managers) to secure new tenants for impending vacant space; and (iv) managing rental arrears to minimise bad debts.

- ***Minimising property expenses –*** The REIT Manager will seek to minimise property expenses without compromising quality of services provided to the tenants so as to further improve Net Property Income. The REIT Manager will work with the Hong Kong Property Manager and the PRC Operations Managers to explore ways to improve the cost structure, such as minimising property expenses of cleaning, security, electricity and maintenance expenses, and improve the overall operational efficiency of SF REIT's properties.

- ***Capital recycling –*** The REIT Manager will regularly monitor and review the income-generating ability of the properties in SF REIT's portfolio to assess whether such properties have reached a stage that offers only limited scope for growth or are low yielding. The REIT Manager may cause SF REIT to dispose of any such properties that no longer meet the key objectives for SF REIT and deploy the capital recycled in other opportunities to optimise returns for Unitholders.

INVESTMENTS AND ACQUISITION GROWTH STRATEGY

The REIT Manager will pursue acquisition opportunities with income growth potential for Unitholders. While the initial focus will be on logistics properties located in Hong Kong and the PRC, the REIT Manager will proactively seek and evaluate opportunities for acquisition of income-generating properties that enhance the diversification of SF REIT's portfolio by geography, asset and tenant profile, and optimise risk-adjusted returns to Unitholders.

In exploring such opportunities, the REIT Manager will consider and assess all potential targets fairly, whether they are owned by SFH or independent third parties of SF REIT, with specific regard to the following:

- ***Yield accretion –*** The ability of the potential target properties to provide attractive long-term cash flows and yields, as well as their potential for net asset growth.

- ***Geographical location –*** Depending on the property type, various location-specific factors including, but not limited to, their accessibility, connectivity to major transportation network and infrastructures, catchment area and neighbouring facilities and amenities. In addition, the REIT Manager will assess the overall competitive landscape in that geographical region and the supply and demand for similar types of properties in the region.

- ***Tenant mix, occupancy and lease expiry profiles –*** The overall tenant mix and the tenancy retention and occupancy rates with respect to such properties compared to their competitors. The REIT Manager will also assess how the acquisition of such properties will impact the overall risk profile of SF REIT with respect to its income, having regard to the tenants' quality, creditworthiness, industry sectors and delinquency history.

- ***Building and facilities specifications –*** The results and findings from thorough due diligence on such properties and their building quality specifications, with due consideration given to their size and age. The REIT Manager will also ensure that such properties are structurally sound and take into account the necessary capital expenditure in the short-to-medium term, as assessed by independent experts.

- ***Asset enhancement potential –*** The potential for such properties to be enhanced through selective capital expenditure programmes and other refurbishments and renovation works in the future in order to create value and increase investment returns for SF REIT.

To demonstrate its commitment to support the expansion of SF REIT through acquisitions, SFH has agreed to grant a ROFR which shall give SF REIT access to a pipeline of properties for potential acquisition from SFH or SFH Relevant Subsidiaries for the first five years upon Listing, subject to certain conditions. For further details, please refer to the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal" in this Offering Circular.

The REIT Manager considers that the ROFR not only affords SF REIT, in pursuit of its initial focus on logistics properties, first rights to acquire high quality logistics properties which will, in most cases, continue to be leased to and operated by the SFH Group, but at the same time leaves SF REIT with the flexibility to pursue acquisition of other types of properties, should such acquisition opportunities from third parties which are more attractive and suitable from the perspective of capital and yield growth.

Independently from the ROFR, SF REIT may also agree to acquire properties from SFH Group that meet the investment criteria and property characteristics, and are consistent with the investment strategy of the REIT Manager for property investments by SF REIT, once such properties are sufficiently yield-generating. As at the Latest Practicable Date, the REIT Manager had not identified any acquisition targets and did not have any plan for SF REIT to acquire any properties in the twelve-month period starting on the Listing Date.

PROPERTY DEVELOPMENT STRATEGY

The REIT Manager may selectively undertake Property Development and Related Activities that are value enhancing to the existing portfolio. SF REIT may also undertake re-development activities in respect of SF REIT's existing properties if necessary to cater for key tenants' operational needs and specifications. In carrying out property development activities, the REIT Manager will consider, among other things, development and construction risks, as well as the overall benefits to Unitholders and the tenants. For further details on the extent to which SF REIT is permitted to engage in Property Development and Related Activities, please refer to the section headed "The Trust Deed – Investment Restrictions" in this Offering Circular.

CAPITAL AND RISK MANAGEMENT STRATEGY

The REIT Manager aims to maintain a strong balance sheet by optimising SF REIT's capital structure, which will involve minimising the cost of debt financing, managing the risk exposure to fluctuations in interest rates and foreign exchange rates through hedging instruments, and employing an appropriate mix of debt and equity financing to fund future acquisitions and asset enhancement works at SF REIT's properties, as further elaborated below.

Optimal capital structure strategy

The REIT Manager will ensure that SF REIT's borrowings are kept at an appropriate level of gearing which shall in no event exceed 50% of Gross Asset Value of the Deposited Property (or such other limit as may, from time to time, be prescribed in the REIT Code), while maintaining sufficient flexibility for future acquisitions and capital expenditure. The gearing ratio of SF REIT is expected to be no higher than approximately 31.4% upon Listing.

As the Properties are relatively new, the REIT Manager does not have any proposed programme for their renovation or improvement as at the Latest Practicable Date. If any opportunities with respect to future acquisitions opportunities or asset enhancement arise, the REIT Manager will only pursue such opportunities after careful consideration of the optimal financing structure therefor and the availability of sources of funding from financial institutions and capital markets. The REIT Manager may procure SF REIT to issue new Units or Convertible Instruments to finance future acquisitions, if it considers this to be cost-efficient and in the interests of Unitholders.

While SF REIT may incur further borrowings in the future to finance its operations and/or acquisitions, the REIT Manager will periodically review SF REIT's capital structure and gearing levels, and adjust its capital management strategy as it deems appropriate in light of the then-prevailing market conditions. In managing the cost of financing and the debt maturity profile of SF REIT, the REIT Manager will seek to minimise interest rate and refinancing risks by reviewing the fixed and floating rates profile of SF REIT's borrowings and evaluating its refinancing options which may include long-term and fixed-rate borrowings, bonds and medium-term notes.

Hedging and risk management strategies

The REIT Manager intends to adopt interest rate hedging strategies where appropriate to ensure stable returns to Unitholders. It will also adopt foreign exchange risk management strategies where appropriate from time to time to minimise the impact of foreign exchange volatility on distributions to Unitholders. As at the Latest Practicable Date, the REIT Manager had not entered into any hedging arrangement or transaction to manage SF REIT's exposure to foreign exchange and interest rate risks.

Effective liquidity management strategy

The REIT Manager will implement best practices to manage its liquidity position well. To determine the best funding and capital structure for SF REIT, the REIT Manager will monitor its cash flow projections closely, ensure SF REIT's assets are well matched against its liabilities, and potentially invest in secured and sustainable cash management products to improve short term cash efficiency and returns.

The REIT Manager will seek to diversify its funding sources by building and maintaining good relationships with multiple banks, and explore various avenues of financing including from debt capital markets.

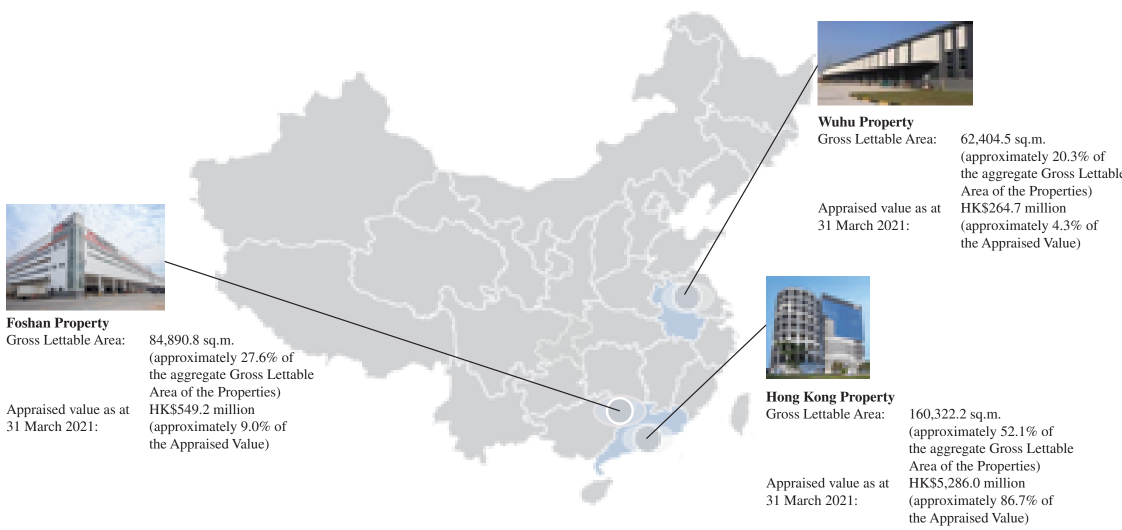
Investing in Relevant Investments

SF REIT may also invest in Relevant Investments as permitted by the REIT Code and the Trust Deed if the REIT Manager considers it appropriate and in the interest of Unitholders to do so in the future. This could provide the REIT Manager with greater flexibility to better manage SF REIT's cash position to enhance returns to Unitholders, should there be limited suitable property investment opportunities. Further, this would also provide flexibility for SF REIT's financial planning, during the times when the interest rates for cash deposits are low. For further details regarding the extent to which SF REIT may invest in Relevant Investments, please refer to the section headed "The Trust Deed – Investment Restrictions" in the Offering Circular.

OVERVIEW OF SF REIT

SF REIT's initial portfolio at Listing shall comprise three Properties located in Hong Kong, Foshan and Wuhu, all of which are modern logistics properties with an aggregate Gross Lettable Area of 307,617.5 sq.m. as at 31 December 2020 and comprise distribution centres equipped with automatic sorting and supply chain support facilities, is strategically located within the key logistics hubs and near major airports, seaports, railways, express highways and transportation hubs in Hong Kong and the PRC.

The following map sets out the location of the Properties:



The REIT Manager believes that the Properties have the following competitive strengths, with further details set out in the section headed "Key Investment Highlights of SF REIT" in this Offering Circular:

- Prime property portfolio strategically located in Hong Kong and the PRC
- Able to capitalise on the growth of the Hong Kong and PRC logistics and e-commerce markets
- High-quality and stable tenant base

The table below provides an overview of the Properties in SF REIT's portfolio, with further details set out in the subsection headed "The Properties" of this section in this Offering Circular:

Property	Nature	Location	Accessibility
1. Hong Kong Property	Modern logistics property	Tsing Yi, Hong Kong	Adjacent to Kwai Tsing Container Terminal No. 9 (approximately 100 metres across the street) and Stonecutters Bridge; approximately 19 kilometres away from Hong Kong International Airport
2. Foshan Property	Modern logistics property	Nanhai District, Foshan City, the PRC	Proximity to Foshan First Ring Road; approximately (i) 15 kilometres away from Foshan Shadi Airport; (ii) 17 kilometres away from Foshan West Railway Station; (iii) 23 kilometres away from Guangzhou Railway Station which is the largest high-speed railway station in the Southern China; and (iv) 28 kilometres from Guangzhou Baiyun Airport which is one of the biggest aviation transportation hubs in the PRC
3. Wuhu Property	Modern logistics property	Jiujiang Economic Development Area, Wuhu City, the PRC	Approximately (i) six kilometres from Wuhu East High Speed Railway Station; (ii) ten kilometres from Wuhu International Cargo Port; and (iii) two kilometres from Ningwu Highway which connects the north and south parts of the Yangtze River Delta Economic Region

The Properties had an aggregate Gross Lettable Area of approximately 307,617.5 sq.m. with an Appraised Value of HK$6,099.9 million as at 31 March 2021. The average Occupancy Rate of the Properties as at the Latest Practicable Date was approximately 95.3%. For further details of the portfolio's operating data, please refer to the subsection headed "Portfolio of SF REIT's Properties" of this section in this Offering Circular.

As at 31 December 2020, the Properties housed a total of 33 tenants, with the top five tenants in terms of total Gross Rental Income (three of whom are connected persons of SF REIT) contributing to approximately 80.1% of the total Gross Rental Income for the month ended 31 December 2020, and SF Connected Tenants contributing to approximately 80.0% of the total Gross Rental Income for the same period. Approximately 90.9% of the tenants (in terms of Gross Lettable Area) are from the logistics sector and the remaining tenants include those from the pharmaceutical, technology and other sectors. For further details of the tenant profile of SF REIT, please refer to the subsection headed "Tenant Profile of the Properties" of this section in this Offering Circular.

PORTFOLIO OF SF REIT'S PROPERTIES

The table below sets forth certain details regarding the Properties as at 31 December 2020 unless otherwise noted:

Property	Nature	Gross Floor Area *(sq.m.)*	Gross Lettable Area *(sq.m.)*	Year of Completion(1)	Expiry of land use right/ government lease	Appraised Value as at 31 March 2021 *(HK$' million)*	Number of tenants(2)	Number of leases(3)	Number of carparking spaces
Hong Kong Property	Modern logistics property	97,181.3	160,322.2(4)	2014	13 January 2061	5,286.0	10	21	266
Foshan Property	Modern logistics property	82,552.2	84,890.8	2021(5)	20 July 2049	549.2	1	1	0
Wuhu Property	Modern logistics property	62,304.2	62,404.5	2019	20 January 2066	264.7	22	32	0
Total		**242,037.7**	**307,617.5**						

Notes:

(1) Year of completion refers to the year in which the (i) the Occupation Permit in respect of the Hong Kong Property was issued; or (ii) the real estate rights certificates in respect of the PRC Properties were obtained.

(2) As at the Latest Practicable Date, the total number of tenants of the Properties was 30.

(3) As at the Latest Practicable Date, the number of leases of the Hong Kong Property, Foshan Property, Wuhu Property were 21, 1, 31, respectively.

(4) In Hong Kong, Gross Floor Area is computed as excluding certain common areas such as driveways and carparks. However, the common area is included in the computation of Gross Lettable Area. Hence, the Gross Lettable Area is higher than Gross Floor Area.

In the PRC, Gross Lettable Area includes (i) area 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. Hence, the Gross Lettable Area is higher than Gross Floor Area.

(5) According to the Regulations on the Quality Management of Construction Projects (《建設工程質量管理條例》), construction projects shall not be delivered for use without completion of the inspection and acceptance procedures. According to the supplementary agreement signed by Foshan Company (PRC) and the tenant on 4 February 2021, the tenant confirmed and undertook that the Foshan Property would not be put into actual use before the completion of the inspection and acceptance procedures of the Foshan Property. The REIT Manager confirms that Foshan Property had not been put into use before completing the inspection and acceptance procedures.

Foshan Company (PRC) obtained the certificate issued by Nanhai District Bureau of Urban Rural Construction and Water Conservancy (佛山市南海區住房城鄉建設和水利局) on 11 December 2020 and 13 January 2021, respectively, confirming that during the period from 17 December 2018 to 31 December 2020, there was no record of Foshan Company (PRC) being penalised for violating laws and regulations of the PRC.

Based on the above, as advised by the PRC Legal Advisors, notwithstanding that the Foshan Property was completed in March 2021, the leasing of the Foshan Property since September 2020 does not contravene the relevant laws and regulations in the PRC.

The table below sets out the Gross Rental Income and Net Property Income of the Properties during the Track Record Period:

	Gross Rental Income			**Net Property Income**		
Property	**For the year ended 31 December 2018**	**For the year ended 31 December 2019**	**For the year ended 31 December 2020**	**For the year ended 31 December 2018**	**For the year ended 31 December 2019**	**For the year ended 31 December 2020**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Hong Kong Property	207,035	207,888	198,000	194,409	200,967	192,455
Foshan Property	–	–	11,818	(101)	(7)	14,540
Wuhu Property	1,336	10,730	13,521	(283)	6,382	9,246
Total	**208,371**	**218,618**	**223,339**	**194,025**	**207,342**	**216,241**

The table below sets out the Occupancy Rate of each Property, the average Occupancy Rate of the Properties, and the Average Monthly Rental per Leased Square Metre during the Track Record Period as at 31 December 2018, 2019 and 2020 and as at the Latest Practicable Date:

Property	Occupancy Rate				Average Monthly Rent Per Leased Square Metre		
	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at Latest Practicable Date	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
	(%)	*(%)*	*(%)*	*(%)*	*(HK$)*	*(HK$)*	*(HK$)*
Hong Kong Property	94.4	97.2	93.6	92.0	113.3	108.3	104.9
Foshan Property	N/A	N/A	100	100	N/A	N/A	36.8
Wuhu Property	49.7	80.3	98.4	97.2	20.5	22.0	26.9
Average	81.8	92.4	96.3	95.3			

TENANT PROFILE OF THE PROPERTIES

The Properties housed a total of 33 tenants as at 31 December 2020, with the top five tenants in terms of total Gross Rental Income (three of whom are connected persons of SF REIT) contributing to approximately 80.1% of the total Gross Rental Income for the month ended 31 December 2020, and SF Connected Tenants contributing to approximately 80.0% of the total Gross Rental Income for the same period.

Tenants' Industry Sectors

The following table sets out details of the Properties' tenants by reference to industry sectors, their Gross Lettable Area as a percentage of the total Gross Lettable Area as at 31 December 2020, and the percentages of their respective contributions to the Gross Rental Income for the month ended 31 December 2020:

Tenants' Industry Sectors[1]	Gross Lettable Area as a percentage of the total Gross Lettable Area as at 31 December 2020 (%)	Gross Rental Income as a percentage of the total Gross Rental Income for the month ended 31 December 2020 (%)
Logistics	90.9	94.0
Pharmaceutical	3.3	4.8
Technology	0.3	0.8
Others	1.8	0.4
Vacant	3.7	–
Total	**100.0**	**100.0**

Note:

(1) The tenants' industry sectors are based on the classification of the REIT Manager and the active leases as at 31 December 2020.

Top Five Tenants

The following table sets out information on the five largest tenants in term of total Gross Rental Income for the month ended 31 December 2020[1]:

Tenant[1]	Tenants' industry sector[2]	Property	Expiry date(s)	Gross Lettable Area attributable to tenant as at 31 December 2020 *(sq.m.)*	Percentage of total Gross Lettable Area attributable to tenant as at 31 December 2020 *(%)*	Percentage of total Gross Rental Income attributable to tenant for the month ended 31 December 2020 *(%)*
Tenant 1	Logistics	Hong Kong Property	31 December 2020 – 16 December 2026[3]	63,501.9	20.6	31.6
Tenant 2	Logistics	Hong Kong Property	19 May 2025 – 31 January 2028[4]	42,715.4[5]	13.9	26.3
Tenant 3	Logistics	Foshan Property	31 August 2025[6]	84,890.8	27.6	13.4
Tenant 4	Pharmaceutical	Hong Kong Property	31 December 2020 – 31 May 2021[7]	9,824.9	3.2	4.7
Tenant 5	Logistics	Hong Kong Property	30 April 2022	5,479.6	1.8	4.1
Total				206,412.6	67.1	80.1

Notes:

(1) Tenants 1-3, being indirectly wholly-owned subsidiaries of SFH, are connected persons of SF REIT, while Tenants 4 and 5 are independent third parties.

(2) The tenants' industry sectors are based on the classification of the REIT Manager and the active leases as at 31 December 2020.

(3) As at 31 December 2020, Tenant 1 (S.F. Express (China) Limited) has entered into several leases in respect of the Hong Kong Property which expire on different dates between 31 December 2020 and 16 December 2026. After 31 December 2020, save for a lease in respect of Gross Lettable Area of 3,275.7 sq.m. which expired on 31 December 2020, Tenant 1 has entered into a new lease (replacing each of the aforementioned leases) for a term of five years commencing from 1 May 2021, with an option to renew a further term of five years.

(4) As at 31 December 2020, Tenant 2 (S.F. Express (Hong Kong) Limited) has entered into several leases in respect of the Hong Kong Property which expire on different dates between 19 May 2025 and 31 January 2028. After 31 December 2020, Tenant 2 has surrendered these leases and has entered into a new lease (replacing each of the aforementioned leases) for a term of five years commencing from 1 May 2021, with an option to renew a further term of five years.

(5) As at 31 December 2020, Tenant 2 (S.F. Express (Hong Kong) Limited) has sub-leased an aggregate Gross Lettable Area of 14,398.8 sq.m. to an independent third party sub-tenant under a sub-tenancy agreement which will expire on 29 February 2024 (the "**Third Party Sub-Lease**"). Following the surrender of the leases mentioned in note (4) above by Tenant 2 (S.F. Express (Hong Kong) Limited) after 31 December 2020 and prior to the Listing, Goodear will become the direct landlord, and the aforementioned sub-tenant will become the direct tenant, under the Third Party Sub-Lease which will remain in force on the same terms (including its duration).

(6) As at 31 December 2020, Tenant 3 (Foshan SF Express Co., Ltd.* (佛山順豐速運有限公司)) has entered into a lease in respect of the Foshan Property which will expire on 30 August 2025. After 31 December 2020, Tenant 3 has entered into a new lease (replacing the aforementioned lease) for a term of five years commencing from 1 May 2021, with an option to renew a further term of five years.

(7) As at 31 December 2020, Tenant 4 had entered into two leases in respect of the Hong Kong Property with expiry dates on 31 December 2020 and 31 May 2021, respectively. After 31 December 2020, Tenant 4 has entered into new leases (replacing the abovementioned leases for an aggregate Gross Floor Area of 9,824.9 sq.m.) which will expire on 31 May 2024.

The following table sets out information on the five largest tenant groups in terms of Gross Rental Income for the year ended 31 December 2020:

Tenant (grouped under common control ("GUCC"))[(1)]	**Principal business activities**	**Property/ properties**	**Percentage of Gross Rental Income attributable to tenant for the year ended 31 December 2020** *(%)*	**Percentage of revenue attributable to tenant for the year ended 31 December 2020** *(%)*
GUCC Tenant 1[(2)]	Please refer to the section headed "Information about SFH, SF Holding and SF Fengtai" in this Offering Circular	Hong Kong Property, Foshan Property and Wuhu Property	75.9	78.3
GUCC Tenant 2[(2)]	Pharmaceutical	Hong Kong Property	4.4	4.1
GUCC Tenant 3[(2)]	Logistics	Hong Kong Property	4.1	3.8
GUCC Tenant 4[(2)]	Logistics	Hong Kong Property	3.8	3.4
GUCC Tenant 5[(2)]	Logistics	Hong Kong Property	2.6	2.3
Total			90.8	91.9

Notes:

(1) Tenants are grouped under common control for the year ended 31 December 2020.

(2) GUCC Tenant 1 is a connected person of SF REIT. GUCC Tenants 2-5 are independent third parties.

Duration of Leases

Each of the SF Leases subsisting as at the Listing Date, which are covered under and consistent with the terms of the SF Leasing Framework Agreement and subject to the requirements of the REIT Code and Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code), is for an initial term of five years, which commenced on 1 May 2021 and will expire on 30 April 2026 (the "**Initial Term Expiry Date**"). Any new SF Leases that may be entered into from time to time after Listing but before the Initial Term Expiry Date shall have an initial term of up to five years.

Under the terms of the SF Leases, the SF Connected Tenants shall have an option to renew the relevant SF Leases on substantially the same terms (apart from rent, which are to be determined by reference to Market Rental Package) for a further term of up to five years (such renewed SF Leases being the "**Renewed SF Leases**"). Each of the SF Leases subsisting as at the Listing Date may be renewed for a further term of five years. To exercise such option to renew, a SF Connected Tenant shall give written notice to the relevant Property Company no later than six months prior to the Initial Term Expiry Date, in which case the parties shall negotiate the terms for the renewal and, thereafter, enter into the Renewed SF Lease no later than three months prior to the Initial Term Expiry Date. Renewal of the SF Leases is subject to the relevant requirements under the REIT Code and Listing Rules.

During the Track Record Period, the term of the Third Party Leases of the Properties generally ranges from less than one to five years, depending on the size and use of the subject premises. As at 31 December 2020, more than half of the Third Party Leases were for a term of at least three years. The Third Party Leases in respect of the Hong Kong Property generally provide the tenants an option to renew for a further term of one to three years on substantially the same terms (except for rent). The Third Party Leases in respect of the Wuhu Property do not provide tenants an option to renew.

The Properties had a WALE of 3.6 years by Gross Lettable Area as at 31 December 2020 and 3.9 years by Gross Rental Income for the month ended 31 December 2020. The following table sets out the lease expiration profile for the Properties by reference to Gross Lettable Area as at 31 December 2020 and Gross Rental Income for the month ended 31 December 2020:

Leases expiring during	Gross Lettable Area of the leases expiring as a percentage of total Gross Rentable Area as at 31 December 2020 (%)	Gross Rental Income from the leases expiring as a percentage of total Gross Rental Income for the month ended 31 December 2020 (%)
Prior to 31 December 2020	2.4	0.7
Year ending 31 December 2021	7.9	7.7
Year ending 31 December 2022	16.8	14.5
Year ending 31 December 2023	8.2	6.2
Year ending 31 December 2024	0.0	0.0
Year ending 31 December 2025 and beyond	61.1	70.9
Vacant	3.7	–
Total	100.0	100.0

Other key terms of the SF Leases

Rent and Rental Deposit

The rent payable under the SF Leases is fixed for each year of the term, with a yearly increment of 3% to 5% depending on the location of the Property and the type of space rented. Each of the SF Connected Tenants has agreed to pay rent in advance on the first day of each month to the relevant Property Company in accordance with the terms of the relevant SF Lease. The SF Leases do not provide for any rent-free periods.

Each of the SF Connected Tenants is required to provide at the start of the initial term and maintain at all times during the relevant SF Lease's term a rental deposit equivalent to: (i) in respect of the Hong Kong Property, the aggregate of three-months' rent, management charges, government rent, government rates and charges of chilled/condensing water supply (if any); and (ii) in respect of the PRC Properties, the aggregate of two months' rent. All rental deposits are retained by the relevant Property Company free of interest to the SF Connected Tenants.

When entering into a new SF Lease or where a SF Connected Tenant exercises its option to renew the relevant SF Lease by serving a written notice to the relevant Property Company, the SF Connected Tenant and the relevant Property Company shall jointly appoint an independent professional property valuer or valuation surveyor to conduct a rent review to determine the market rental package (the "**Market Rental Package**") for the renewal term, including the amounts of the rent and annual rental increment, and furnish to the parties the Market Rental Package no later than five months before the end of the initial term.

The basis for determination of the Market Rental Package shall be, among other things, the then current open market rent at the commencement date of the renewal term which would be paid by a willing tenant to a willing landlord for similar premises in a similar development. On the basis of the Market Rental Package, the parties shall enter into the Renewed SF Lease no later than three months before the end of the initial term.

The SF Connected Tenants shall also maintain the level of rental deposit as revised by the Market Rental Package and, if applicable, pay to the relevant Property Company such additional sum as may be required as a result of any upward revision to the rental deposits.

Add-on Services

Under the SF Leases in respect of the Hong Kong Property only, Goodear as landlord may from time to time at the request of a SF Connected Tenant arrange for value-added services (the "**Add-on Services**"), such as shuttle bus, cleaning, security guard services, to be provided to the tenant. While these Add-on Services are ancillary and incidental to the underlying SF Leases, Goodear or the REIT Manager does not directly provide such services, but will liaise with or engage service providers or contractors who are independent third parties of SF REIT to provide such services. For each Add-on Service it requests and receives, the SF Connected Tenant shall reimburse Goodear for the cost for such service and in addition pay Goodear an administrative fee of 5% of such cost (and in the case of shuttle bus and security guard services, 2.5% of such cost), being the standardised rate at which Goodear would charge any tenant of the Hong Kong Property (whether such tenant is an independent third party or connected person of SF REIT) who requests for Add-on Services. As the Add-on Services shall be offered to independent third party tenants at the same rate and are charged on a cost-plus basis, the REIT Manager considers that such charge is: (i) no less favourable than that offered by Goodear to independent third party tenants; and (ii) an arm's length arrangement that is in the interests of SF REIT and its Unitholders as a whole.

Force Majeure

In the event that the premises or any part of it is rendered uninhabitable, unusable or inaccessible by fire, water, storm, typhoon, earthquake, subsidence of the ground, act of God, force majeure or any calamity or cause beyond the parties' control (save for epidemics or pandemics in all cases) (each a "**Force Majeure Event**") for at least two months other than as a result of the act or default of the SF Connected Tenants, the SF Connected Tenants are entitled to rent abatement proportionate to the area rendered uninhabitable, unusable or inaccessible until the premises shall have been restored or reinstated. Where the premises continue to be uninhabitable, unusable or inaccessible and not restored or reinstated within six months of the occurrence of the Force Majeure Event, the SF Connected Tenants may at any time before the same are so repaired and reinstated terminate the relevant SF Leases by written notice, without prejudice to the relevant Property Company's rights and remedies in respect of any antecedent breach by the SF Connected Tenants.

Termination

The Project Company may, without any liability, unilaterally terminate a SF Lease and re-enter the premises at any time by serving a three-months' notice in writing to the relevant SF Connected Tenant, or in the event that, among other things:

(a) the SF Connected Tenant is wound up or has entered into any composition or arrangement with its creditors;

(b) the whole or part of the rent, government rent, government rates, management charges, charges for chilled/condensing water supply or any other sum required to be paid are in arrears for 30 days;

(c) there is a default by the SF Connected Tenant of any provisions of the relevant SF Lease;

(d) there is a material change of control in the SF Connected Tenant;

(e) the Project Company has been served a notice or order by any government authority requiring it to rectify any non-conformity with respect to the use of the premises or any part thereof; or

(f) SF REIT is required to re-comply with, among other things, the approval requirements concerning its connected party transactions with respect to the REIT Code or the Listing Rules but such approval is not obtained.

In addition to terminating the SF Leases and re-entering the premises, the Property Companies may also forfeit the rental deposits and SF REIT (through the Property Companies) may also call on the SF Lease Guarantees, in the event of a payment or other default under the relevant SF Lease. For further details regarding the terms of the SF Lease Guarantees, please refer to the sub-section headed "Fully Exempt Continuing Connected Party Transactions with SF Connected Persons – SF Lease Guarantees" below in this Offering Circular.

The SF Leases do not provide the SF Connected Tenants any right to early terminate the SF Connected Tenants, save where:

(a) the relevant Property Company is no longer owned by SF REIT;

(b) SF REIT is terminated or wound up for any reason; or

(c) there is a prolonged Force Majeure Event for six months as described above,

in which case the SF Connected Tenants may by written notice terminate the SF Leases but without prejudice to the Property Company's rights and remedies in respect of any antecedent breach by the SF Connected Tenants.

Other key terms of the Third Party Leases

The Third Party Leases in respect of a Property generally follow a standard form for that Property.

At the time of entering into a lease, tenants of the Properties are generally required to pay a non-interest bearing rental deposit equal to two to three months' rent. Rent is payable monthly, and rent-free periods (as the case may be) generally range from one to three months (or longer for selected key tenants).

Under the Third Party Leases, tenants are generally responsible for the payment of outgoings such as property management fees. Tenants are also generally responsible for maintaining, repairing, and paying all expenses relating to, the interior of the premises, while the landlord is generally responsible for repairing the public facilities and main structures. If the premises or a substantial part of it are rendered unfit for use or inaccessible by force majeure or by any cause other than the result of the negligence or fault of the tenants, the tenants are generally entitled to rent abatement until the premises shall again be rendered fit for occupation and in some leases, either the landlords or the tenants are entitled to terminate the lease if the premises are not reinstated after a certain period of time. Tenants are generally not permitted to assign or sublet the premises without the written consent of the landlord.

The Third Party Leases generally give the landlord the right to terminate the Third Party Lease upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants. In addition, the tenants are required to use the premises for the permitted purposes only and otherwise in accordance with all applicable laws and regulations in the PRC or Hong Kong (as the case may be). Except where the landlord fails to deliver the premises to the tenants within generally 30 to 60 days from the commencement of the lease or provide the agreed repair and maintenance rendering the tenants unable to use the premises in respect of the Third Party Leases of the Wuhu Property, tenants do not generally have the right of early termination under the Third Party Leases.

THE PROPERTIES

The following provides details of the different features and strengths of each of the Properties in SF REIT's portfolio, including their locations, size and surroundings, their tenant profiles, duration of the leases, ownership and transaction history.

1. Hong Kong Property

The Hong Kong Property was completed in 2014 and is a 15-storey (plus one Basement Floor) ramp-up modern logistics property with a total Gross Lettable Area of approximately 1,725,692.5 sq.ft. (equivalent to approximately 160,322.2 sq.m.). The Hong Kong Property is designed for operating at a high level of throughput functioning 24-hours a day, comprising (a) a distribution centre equipped with automatic sorting and supply chain support facilities; (b) carpark spaces and warehouses; and (c) ancillary offices. It is one of the newest modern logistics properties in Hong Kong. According to the Market Consultant Report, approximately 76.0% of the modern logistics properties in Hong Kong are more than 20 years of age and only approximately 18.8% are less than ten years of age, with the average vacancy rate of the latter being as low as 2.9% at the end of 2020. The Hong Kong property is a LEED-certified building which was given the LEED Gold Award granted by the U.S. Green Building Council in recognition of the efficiency and sustainability of its design.

The Hong Kong Property has the following key features of a ramp-up modern logistics property, such as:

- vehicular ramp access to every warehouse floor with direct and spacious loading and unloading docks, which permit direct truck access to each floor and enhance operational efficiency

- high quality building specifications, such as large and regular floor plates ranging from 2,204 sq.m. to 14,389 sq.m., high ceilings ranging from 5.3 metres to 6.5 metres and wide column spacing of 16.0 metres by 16.3 metres for optimal spacing utilisation

- flexibility to accommodate customised features, such as office space, warehouses and cold-storage facilities

- 24-hour security and surveillance, advanced ventilation system, fire-fighting and sprinkler systems

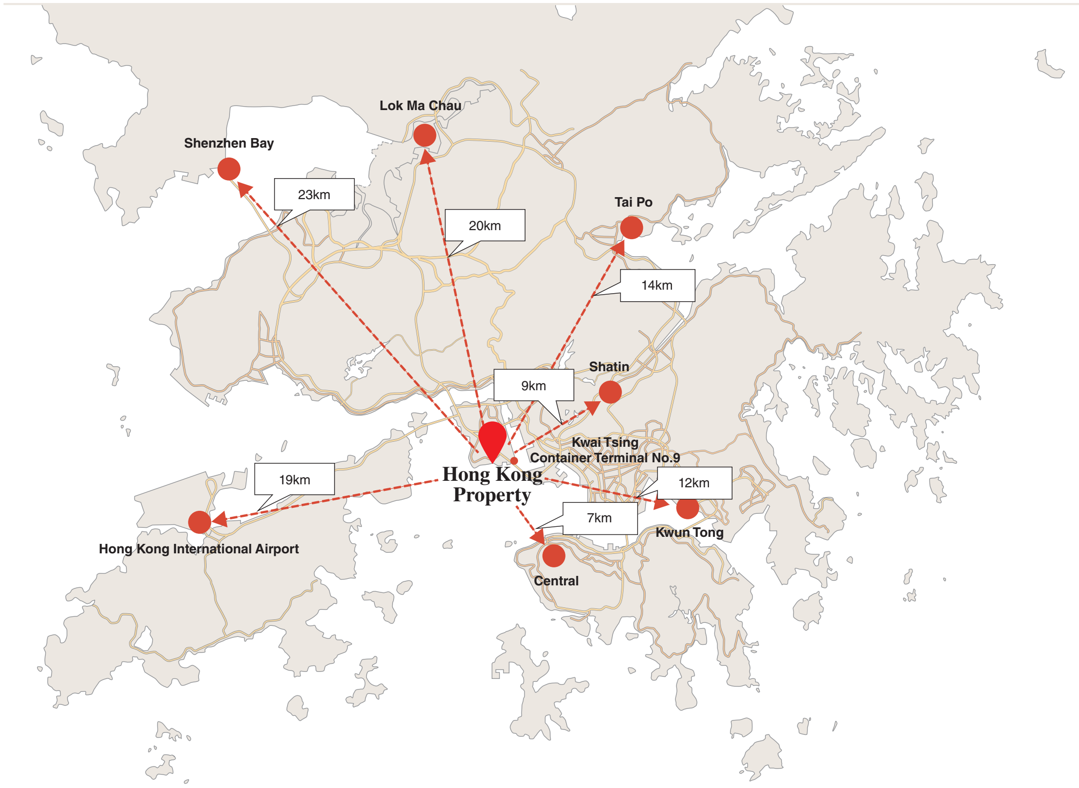
- regular shuttle bus services for tenants to neighbouring MTR station

- environmentally friendly and energy-saving features such as the use of energy-efficient building materials

Asia Logistics Hub – SF Centre (亞洲物流中心-順豐大廈)

The Hong Kong Property is strategically located at Tsing Yi, Hong Kong, which is a premium logistics cluster with a high concentration of logistics properties and a critical mass of modern logistics properties. Tsing Yi is well-connected with the rest of Hong Kong, with easy access to different parts in Hong Kong within 30-minutes' drive. It is adjacent to Kwai Tsing Container Terminal No. 9 (approximately 100 metres across the street) and Stonecutters Bridge offering easy access to arterial roads and major business districts and is well connected to Hong Kong International Airport (approximately 19 kilometres away).

The following map sets out the location of the Hong Kong Property:



Tenant Profile of the Hong Kong Property

The Hong Kong Property housed ten tenants as at 31 December 2020, with the five largest tenants of the Hong Kong Property in terms of Gross Rental Income contributing to approximately 87.7% of the property's Gross Rental Income for the month ended 31 December 2020 and approximately 79.1% of the property's Gross Lettable Area as at 31 December 2020. Two of the top five tenants are connected persons of SF REIT, and SF Connected Tenants contributed to approximately 76.9% of the property's Gross Rental Income for the month ended 31 December 2020 and approximately 75.9% of the property's Gross Lettable Area as at 31 December 2020.

The following table sets out details of the Hong Kong Property's tenants by reference to their industry sectors, the Gross Lettable Area occupied by them as a percentage of the total Gross Lettable Area as at 31 December 2020, and their respective contributions as a percentage of the Gross Rental Income for the month ended 31 December 2020:

Tenants' Industry Sectors[(1)]	**Gross Lettable Area as a percentage of the total Gross Lettable Area as at 31 December 2020** *(%)*	**Gross Rental Income as a percentage of the total Gross Rental Income for the month ended 31 December 2020** *(%)*
Logistics	86.8	93.1
Pharmaceutical	6.1	5.9
Technology	0.6	1.0
Vacant	6.4	0.0
Total	**100.0**	**100.0**

Note:

(1) The tenants' industry sectors are based on the classification made by the REIT Manager and the active leases as at 31 December 2020.

Duration of Leases

The term of the SF Leases in respect of the Hong Kong Property that have been entered into by SF Connected Tenants is for a term of five years commencing from 1 May 2021, with an option to renew for a further term of five years on substantially the same terms (except for rent), which is exercisable by the tenant no later than six months before the expiry of the initial term. For further details, please refer to the section headed "The Properties and Business – Tenant Profile of the Properties – Duration of the Leases" in this Offering Circular.

The term of the Third Party Leases in respect of the Hong Kong Property ranges from less than one year to five years. These leases generally provide the tenants an option to renew for a further term of one to three years on substantially the same terms (except for rent).

The Hong Kong Property had a WALE of 3.8 years by Gross Lettable Area as at 31 December 2020 and 3.9 years by Gross Rental Income for the month ended 31 December 2020. The following table sets out the expiry periods of the leases for the Hong Kong Property by reference to their respective Gross Lettable Area and Gross Rental Income as compared to the total Gross Lettable Area as at 31 December 2020 and the total Gross Rental Income for the month ended 31 December 2020, respectively:

Leases expiring during	Gross Lettable Area of the leases expiring as a percentage of total Gross Lettable Area as at 31 December 2020	Gross Rental Income from the leases expiring as a percentage of total Gross Rental Income for the month ended 31 December 2020
	(%)	*(%)*
Prior to 31 December 2020	4.6	0.9
Year ending 31 December 2021	5.6	8.4
Year ending 31 December 2022	15.2	13.4
Year ending 31 December 2023	3.9	6.0
Year ending 31 December 2024	0.0	0.0
Year ending 31 December 2025 and beyond	64.2	71.4
Vacant	6.4	–
Total	100.0	100.0

Based on the Hong Kong legal advice received by the REIT Manager, all subsisting leases and the Third Party Sub-Lease in respect of the Hong Kong Property are legal, valid, binding and enforceable by or on behalf of SF REIT in accordance with their terms.

Ownership and Five Year Transaction History

The Hong Kong Property will be wholly owned by SF REIT through Goodear following the Asset Injection Completion. Goodear is a Special Purpose Vehicle, the principal business activity of which is the ownership and operation of the Hong Kong Property. The government lease in relation to the Hong Kong Property will expire on 13 January 2061. Based on a search conducted at the Land Registry and updated to the Latest Practicable Date, there has not been any sale and purchase transactions for the Hong Kong Property in the past five years immediately preceding the date of the Valuation Report other than as specified in the Reorganisation.

2. Foshan Property

The Foshan Property was completed in March 2021 and is a modern logistics property with a total Gross Lettable Area of approximately 84,890.8 sq.m.. The Foshan Property comprises: (a) a ramp-up three-storey distribution centre; and (b) an ancillary building. The Foshan Property is equipped with intelligent technology and built-to-suit facilities, such as automatic sorting and supply chain support facilities, to house the needs of its single logistics tenant.

Foshan Guicheng Fengtai Industrial Park (佛山桂城豐泰產業園)

The Foshan Property is located in the Nanhai district of Foshan, which is part of the Greater Bay Area. Foshan's logistics properties are concentrated in Nanhai district due to its convenience and economic prosperity. According to the Market Consultant Report, as at the end of 2020, the Foshan Property was the sixth largest (by Gross Floor Area) modern logistics property in the Nanhai District of Foshan and the 16th largest in Foshan. The Foshan Property is close to Foshan First Ring Road, and approximately 15 kilometres away from Foshan Shadi Airport, 17 kilometres away from Foshan West Railway Station, 23 kilometres away from Guangzhou Railway Station which is the largest high-speed railway station in the Southern China, and 28 kilometres from Guangzhou Baiyun Airport which is one of the biggest aviation transportation hubs in the PRC.

The following map sets out the location of the Foshan Property:

Tenant Profile of the Foshan Property

As at 31 December 2020, the Foshan Property was leased entirely to Foshan SF Express Co., Ltd.* (佛山順豐速運有限公司), being a SF Connected Tenant, to operate mainly as a modern logistics property for regional distribution purposes.

Duration of the SF Lease

The abovementioned SF Connected Tenant has entered into a new SF Lease for a term of five years commencing from 1 May 2021, with an option to renew for a further term of five years on substantially the same terms (except for rent), which is exercisable by the tenant no later than six months before the expiry of the initial term.

The Foshan Property had a lease expiry of 4.7 years by Gross Lettable Area as at 31 December 2020 and 4.7 years by Gross Rental Income for the month ended 31 December 2020.

Based on the PRC Legal Advisors' advice, the subsisting SF Lease in respect of the Foshan Property is legal, valid, binding and enforceable by or on behalf of SF REIT in accordance with its terms.

Ownership and Five Year Transaction History

The Foshan Property will be wholly owned by SF REIT through its PRC Property Company, Foshan Company (PRC), following the Asset Injection Completion. Foshan Company (PRC) is a Special Purpose Vehicle, the principal business activity of which is the ownership and operation of the Foshan Property. The term of the land use rights in respect of the Foshan Property will expire in July 2049. The land use rights in respect of the Foshan Property were transferred from Foshan Nanhai Dali Hualuan Trading Co., Ltd.* (佛山市南海大瀝華鑾貿易有限公司) to Foshan Company (PRC) on 3 February 2016 in consideration of RMB42,912,000. Based on land searches dated 23 November 2020 and updated to the Latest Practicable Date, there has not been any sale and purchase transactions for the Foshan Property in the past five years immediately preceding the date of the Valuation Report other than as mentioned above and as specified in the Reorganisation.

3. Wuhu Property

The Wuhu Property was completed in 2019 and is a modern logistics property with a total Gross Lettable Area of approximately 62,404.5 sq.m. It comprises (a) two single-storey high standard warehouses; (b) a two-storey distribution centre equipped with automatic sorting and supply chain support facilities; (c) a research and development building; and (d) two ancillary buildings. The Wuhu Property is positioned as a modern logistics property to meet various commercial needs of the tenants.

Wuhu Fengtai Industrial Park (蕪湖豐泰產業園)

The Wuhu Property is located in the Jiujiang Economic Development Area, being the political, cultural and financial centre of Wuhu and a core logistics cluster in Yangtze River Delta Economic Region. According to the Market Consultant Report, in terms of Gross Floor Area as at the end of 2020, the Wuhu Property was the fourth largest modern logistics property in Wuhu. The Wuhu Property is approximately (i) six kilometres from Wuhu East High Speed Railway Station; (ii) ten kilometres from Wuhu International Cargo Port; and (iii) two kilometres from Ningwu Highway which connects the north and south parts of the Yangtze River Delta Economic Region.

The following map sets out the location of the Wuhu Property:

Tenant Profile of the Wuhu Property

The Wuhu Property housed 22 tenants as at 31 December 2020, with the five largest tenants of the Wuhu Property in terms of Gross Rental Income contributing to approximately 96.1% of the property's Gross Rental Income for the month ended 31 December 2020 and approximately 93.6% of the property's Gross Lettable Area as at 31 December 2020. Two of the top five tenants are connected persons of SF REIT, and SF Connected Tenants contributed to approximately 78.2% of the property's Gross Rental Income for the month ended 31 December 2020 and approximately 68.0% of the property's Gross Lettable Area as at 31 December 2020.

The Wuhu Property has a diverse and quality tenant base, including major tenants from the logistics sector. The following table sets out details of the Wuhu Property's tenants by reference to their industry sectors, the Gross Lettable Area occupied by them as a percentage of the total Gross Lettable Area as at 31 December 2020, and their respective contributions as a percentage of the Gross Rental Income for the month ended 31 December 2020:

Tenants' Industry Sectors[1]	**Gross Lettable Area as a percentage of the total Gross Lettable Area as at 31 December 2020** *(%)*	**Gross Rental Income as a percentage of the total Gross Rental Income for the month ended 31 December 2020** *(%)*
Logistics	88.9	92.0
Industrial	4.8	3.9
Others	4.7	4.1
Vacant	1.6	0.0
Total	100.0	100.0

Note:

(1) The tenants' industry sectors are based on the classification made by the REIT Manager and the active leases as at 31 December 2020.

Duration of the Leases

The term of the SF Leases in respect of the Wuhu Property that have been entered into by SF Connected Tenants is for a term of five years commencing from 1 May 2021, with an option to renew for a further term of five years on substantially the same terms (except for rent), which is exercisable by the tenant no later than six months before the expiry of the initial term. For further details of the term of the SF Leases in respect of the Wuhu Property, please refer to the section headed "The Properties and Business – Tenant Profile of the Properties – Duration of the Leases" in this Offering Circular.

Each of the Third Party Leases in respect of the Wuhu Property has a term of one year to three years. These leases do not provide the tenants an option to renew. The tenants can express interest to renew generally 30 to 120 days before expiry of the lease, subject to the landlord's agreement to renew the same.

The Wuhu Property had a WALE of 1.7 years by Gross Lettable Area as at 31 December 2020 and 1.7 years by Gross Rental Income for the month ended 31 December 2020. The following table sets out the expiry periods of the leases for the Wuhu Property by reference to their respective Gross Lettable Area and Gross Rental Income as compared to the total Gross Lettable Area as at 31 December 2020 and the total Gross Rental Income for the month ended 31 December 2020, respectively:

Leases expiring during	**Gross Lettable Area of the leases expiring as a percentage of total Gross Rentable Area as at 31 December 2020**	**Gross Rental Income from the leases expiring as a percentage of total Gross Rental Income for the month ended 31 December 2020**
	(%)	*(%)*
Prior to 31 December 2020	0.0	0.0
Year ending 31 December 2021	24.4	16.2
Year ending 31 December 2022	43.8	61.3
Year ending 31 December 2023	30.2	22.5
Year ending 31 December 2024	0.0	0.0
Year ending 31 December 2025 and beyond	0.0	0.0
Vacant	1.6	0.0
Total	100.0	100.0

Based on the PRC Legal Advisors' advice, all subsisting leases in respect of the Wuhu Property are legal, valid, binding and enforceable by or on behalf of SF REIT in accordance with their terms.

Ownership and Five Year Transaction History

The Wuhu Property will be wholly owned by SF REIT through its PRC Property Company, Wuhu Company (PRC) following the Asset Injection Completion. Wuhu Company (PRC) is a Special Purpose Vehicle, the principal business activity of which is the ownership and operation of the Wuhu Property. The term of the land use rights in respect of the Wuhu Property will expire in January 2066. Based on land searches dated 18 November 2020 and updated to the Latest Practicable Date, there has not been any sale and purchase transactions for the Wuhu Property in the past five years immediately preceding the date of the Valuation Report other than as specified in the Reorganisation.

COMPETITION

SF REIT faces competition from other large international and domestic logistics property developers and service providers for tenants. The Properties face competition from other properties in Hong Kong, Foshan and Wuhu and the neighbouring sub-districts in varying degrees. For example, according to the Market Consultant Report, the Hong Kong Property competes with other modern logistics properties in the neighbouring Kwai Tsing district, which has the highest concentration of modern logistics properties in Hong Kong accounting for approximately 46.9% of the modern logistics property stock in Hong Kong as at the end of 2020. Foshan has a high concentration of logistics properties which creates a relatively competitive environment. In Wuhu, most of the well-known modern logistics properties are located in Jiujiang Economic Development Area where the Wuhu Property is located, which also creates a relatively competitive environment for the Wuhu Property.

For further details regarding competition faced by the Properties, please refer to the section headed "Industry Overview" in this Offering Circular and the Market Consultant Report as set out in Appendix V to this Offering Circular.

INSURANCE

SF REIT has taken out insurance for the Properties which the REIT Manager believes is consistent with the industry norm in the PRC and Hong Kong. This includes comprehensive property insurance (including but not limited to insurance against landship and subsidence) and public liability insurance. No significant or unusual excess or deductible amounts are required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including but not limited to losses resulting from war, nuclear contamination, theft and/or acts of terrorism committed by a person or persons acting on behalf or in connection with any organisation.

The REIT Manager believes that there are no significant differences between the extent of insurance coverage for the Properties and that for respective logistics properties in Hong Kong, Foshan and Wuhu generally, and that there are no significant differences between the claims recovery processes for the Properties and those for respective logistics properties in Hong Kong, Foshan and Wuhu generally. The REIT Manager also believes that the Properties are adequately covered by insurance which will be renewed when they expire.

LITIGATION

There may be disputes or proceedings involving the Properties from time to time that arise in the ordinary course of business, such as lease or rental payment disputes. As at the Latest Practicable Date, none of the members of the Predecessor Group and the REIT Manager were involved in any material litigation or administrative proceedings nor, to the best of the Directors' knowledge, was there any material litigation or administrative proceedings threatened against any such parties.

COMPLIANCE WITH PARAGRAPH 7.7 OF THE REIT CODE

Based on the Hong Kong and the PRC legal advice received by the REIT Manager and its own due diligence, the REIT Manager is of the view that SF REIT (through the Property Companies) will hold good marketable legal and beneficial title to the Properties after Asset Injection Completion and upon Listing.

LEGAL AND REGULATORY COMPLIANCE

An overview of the relevant laws and regulation in the PRC and comparison of certain aspects of the property laws of Hong Kong and the PRC to which SF REIT will be subject are set out in Appendix VII to this Offering Circular.

Each of the Property Companies had complied with the relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. Based on the Hong Kong legal advice received by the REIT Manager, as at the Latest Practicable Date, Goodear had obtained the Occupation Permit for occupying the Hong Kong Property and could use the Hong Kong Property according to the terms and conditions set out in the Government Grant, Occupation Permit and other title deeds and documents. Based on the PRC legal advice received by the REIT Manager, as at the Latest Practicable Date, the PRC Property Companies had obtained the necessary approvals, permits, licences and certificates for their holding of the land and building use rights over the Foshan Property and the Wuhu Property.

Particulars of Certain Non-Compliances

Non-Conforming Uses and Miscellaneous Unauthorised Building Works of the Hong Kong Property

According to the Occupation Permit: (i) the basement floor of the Hong Kong Property (the **"Basement Floor"**) is permitted to be used as car parking spaces and ancillary accommodation for non-domestic uses and (ii) the ground floor to the eight floor of the Hong Kong Property are permitted to be used as among other things, warehouse, loading and unloading spaces, car parking spaces and ancillary accommodation for non-domestic use (collectively, the "**Hong Kong Property Designated Use**"). Goodear is also required under the Government Grant to provide and maintain parking, loading and unloading spaces in accordance with the layout plan approved by the Director of Lands.

Based on the REIT Manager's due diligence: (i) certain parts of the Hong Kong Property amounting to less than approximately 0.2% of the Gross Lettable Area of the Hong Kong Property as at 31 December 2020 have been used by SF Connected Tenants for loading and unloading storage and supporting facilities purposes (such parts of the premises will be referred to as "**Subject Carpark Premises**") including the installation of certain equipment for such purposes; and (ii) certain parts of the Hong Kong Property amounting to less than approximately 0.5% of the Gross Lettable Area of the Hong Kong Property as at 31 December 2020 (such parts of the premises being referred to as the "**Subject Office Premises**") are currently being used by tenants as ancillary office. The Gross Rental Income attributable to the Subject Carpark Premises and the Subject Office Premises for the year ended 31 December 2020 was approximately 0.2% and 0.5% of the Gross Rental Income attributable to the Hong Kong Property for the same year.

The existing use of the Subject Carpark Premises does not conform with the Hong Kong Property Designated Use and also constitutes an unauthorised alteration of the layout plan for parking, loading and unloading spaces. The unauthorised alteration of such layout plan as well as the abovementioned equipment, being an unauthorised structure associated with such non-conformity use, are breaches of the Government Grant and the Buildings Ordinance (the "**Non-Conforming Carpark Matters**"), which entitle the Hong Kong Government as the grantor under the Government Grant to re-enter the Hong Kong Property.

Similarly: (i) the existing use of the Subject Office Premises does not conform with the Hong Kong Property Designated Use and constitutes breaches of the Buildings Ordinance (the "**Non-Conforming Office Matters**"); and (ii) various miscellaneous additions and/or alteration works constitute unauthorised building works (the "**Miscellaneous UBWs**") that do not comply with the Buildings Ordinance and/or the regulations made thereunder (the "**Miscellaneous UBW Matters**"). The Non-Conforming Office Matters and Miscellaneous UBW Matters are breaches of the Government Grant that similarly entitle the Hong Kong Government to re-enter the Hong Kong Property.

Based on the REIT Manager's due diligence: (a) the Gross Lettable Area of the premises that are subject to the Hong Kong Property Non-Conforming Matters represents an immaterial portion of the Hong Kong Property, being less than approximately 0.7% of the Gross Lettable Area of the Hong Kong Property as at 31 December 2020; and (b) Goodear has not received any notices, orders, enquiries, investigations or paid any fees or charges, penalties in connection with the Hong Kong Property Non-Conforming Matters since the completion of the Hong Kong Property in 2014, and a search conducted at the Land Registry and updated to the Latest Practicable Date in respect of the Hong Kong Property revealed no re-entry notice or order registered.

Non-Conforming Use of the Foshan Property

As stated in the land grant contract in respect of the Foshan Property: (i) the land on which the Foshan Property is situated is designated for industrial use (the "**Foshan Property Designated Land Use**"); and (ii) the Foshan Property is designated for factory and ancillary use (the "**Foshan Property Designated Building Use**"). However, the Foshan Property has been leased entirely to one tenant, Foshan SF Express Co., Ltd. (being a connected person of SF REIT) for warehousing and logistics purposes and ancillary uses (the "**Foshan Property Non-Conforming Matters**"). As advised by the PRC Legal Advisors, such uses technically do not conform with the Foshan Property Designated Land Use or the Foshan Property Designated Building Use because "warehousing and logistics use" is regarded as a category of use that is distinct from industrial use, notwithstanding that it is relatively common for warehousing and logistics properties to be built and operated on industrial land in the PRC. Such Foshan Property Non-Conforming Matters may subject the Foshan Property to certain legal consequences and enforcement actions including fines, rectification orders and/or repossession by the relevant PRC land authority in accordance with the relevant laws and regulations of the PRC. Further, if the relevant PRC land authority allows or requires the Foshan Property Designated Uses to be changed in the future, such change may require payment of land premium.

Based on the REIT Manager's consultation with the Shishan Office of Foshan City Natural Resources Bureau Nanhai Branch (佛山市自然資源局南海分局獅山管理所), notwithstanding such Foshan Property Designated Uses, it was confirmed that the Foshan Property can be used for warehousing and logistics purposes. The PRC Legal Advisors have confirmed that the Shishan Office of Foshan City Natural Resources Bureau Nanhai Branch (佛山市自然資源局南海分局獅山管理所) is the competent authority to give such confirmations.

Based on the PRC Legal Advisors' public searches updated to the Latest Practicable Date and Foshan Company (PRC)'s confirmations, the Foshan Property has not been subject to any notices, enquiries, investigations or administrative penalties in connection with the non-conforming use of the Foshan Property since the completion of the Foshan Property in 2021.

Non-Fulfilment of Certain Operating Performance Targets Prescribed Under the Wuhu Land Grant Contracts and the Wuhu Project Investment Contracts of the Wuhu Property

According to the land grant contracts (the "**Wuhu Land Grant Contracts**") entered into between Wuhu Company (PRC) and Wuhu Municipal Bureau of Land dated 30 December 2015 and 1 June 2016, respectively, as amended by the relevant supplemental agreement, Wuhu Company (PRC) undertook the following in respect of the Wuhu Property: (i) starting from the year after the completion of construction of the Wuhu Property, the expected amount of tax levied per mu of the Wuhu Property shall not be lower than RMB232,200 per year; and (ii) at the time of completion of the inspection and acceptance procedures, the tax leviable per mu shall reach 10% of the expected tax amount in (i) above.

According to the project investment contract and the relevant supplemental contract (the "**Wuhu Project Investment Contracts**") entered into between Wuhu Company (PRC) and the local government of Jiujiang District in Wuhu (蕪湖市鳩江區人民政府) dated 26 September 2014, Wuhu Company (PRC) undertook that the tax levied on the Wuhu Property per year shall not be lower than RMB100,000 per mu.

Based on the REIT Manager's due diligence, the amount of tax levied on the Wuhu Property when construction works for the Wuhu Property were first completed was approximately RMB17,300 per mu, while the current tax leviable per mu is approximately RMB20,400 for the year ended 31 December 2019, both of which were less than the prescribed tax levy amounts set out in the Wuhu Land Grant Contracts and the Wuhu Project Investment Contracts (the "**Wuhu Property Non-Conforming Matters**"). Such Wuhu Property Non-Conforming Matters may subject the Wuhu Property to certain enforcement actions and legal consequences, including resumption of land and adjustments to the financial incentives granted to Wuhu Company (PRC).

Wuhu Company (PRC) has obtained a written statement issued by the Wuhu Land Bureau, which states that the Wuhu Land Bureau is willing to, having regard to market development and practical circumstances, discuss with Wuhu Company (PRC) on how to deal with the issue with respect to, among other things, the non-fulfilment of the tax leviable targets. In addition, Wuhu Company (PRC) has obtained a written statement issued by the Wuhu Land Bureau Enforcement Division, being the enforcement division of the Wuhu Land Bureau, which confirms that they will not, and will also coordinate with other authorities not to, take enforcement actions on such non-compliance in view of the market practical circumstances. Such written statements also confirm that there were no records of non-compliance in relation to land and planning administration laws and regulations, or records of investigations being conducted or administrative penalties being imposed on Wuhu Company (PRC), from Wuhu Company (PRC)'s incorporation until 7 January 2021. The PRC Legal Advisors have confirmed that the Wuhu Land Bureau and the Wuhu Land Bureau Enforcement Division are the competent authorities to confirm the matters set out in the written statements.

Further, based on the REIT Manager's consultation with the Administration Committee of Jiujiang Economic Development Area, which is an agent institute of the local government of Jiujiang District in Wuhu and is responsible to supervise and deal with the performance of the Wuhu Project Investment Contracts, it was confirmed that the Administration Committee of Jiujiang Economic Development Area will continue to provide the financial incentives granted under the Wuhu Project Investment Contracts, notwithstanding the undertakings thereunder not being satisfied, but still urges Wuhu Company (PRC) to fulfil the undertakings. The PRC Legal Advisors have confirmed that the Administration Committee of Jiujiang Economic Development Area is the competent authority to give such confirmations.

The PRC Legal Advisors have also confirmed that, based on their public searches updated to the Latest Practicable Date and Wuhu Company (PRC)'s confirmations, the Wuhu Property has not been subject to any notices, enquiries, investigations or administrative penalties in connection with the Wuhu Property Non-Conforming Matters since the completion of the Wuhu Property in 2019.

Mitigating Measures for the Non-Compliances

Pursuant to the Sale and Purchase Deed, SF Fengtai and SF Holding, the latter being a wholly-owned subsidiary of SFH with net assets of approximately HK$8.0 billion as at 31 December 2019, irrevocably undertook to indemnify on a joint and several basis, among others, SF REIT, the Purchaser, the Predecessor Group, the Trustee and the REIT Manager, to the fullest extent permissible by law, for any liabilities, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may sustain, incur or suffer in respect of the Hong Kong Property Non-Conforming Matters, the Foshan Property Non-Conforming Matters and the Wuhu Property Non-Conforming Matters (such indemnities being the Subject Properties Indemnities). The Subject Properties Indemnities in respect of a Property will be limited to the Agreed Property Value plus the Proportionate Initial Adjustment Sum (if any) for such Property, and will terminate upon expiration of the land use rights or government lease (as the case may be) of such Property. The expiration of the land use rights or government lease (as the case may be) of the Hong Kong Property, the Foshan Property and the Wuhu Property are 13 January 2061, 20 July 2049 and 20 January 2066, respectively. For details of the indemnity, please refer to the section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.

In addition, SF Holding has undertaken to maintain net assets in excess of the aggregate limitation cap of the Subject Properties Indemnities that remain outstanding from time to time, for so long as such indemnities are in force. Certain recourses may also be available against the relevant tenants under the relevant leases to which the abovementioned non-compliances relate, such as termination of such leases and forfeiture of rental deposits, as well as against SF Holding and Shenzhen SF Taisen pursuant to the SF Lease Guarantees.

View of the REIT Manager in respect of the Non-Compliances

Based on the Hong Kong legal advice received by the REIT Manager and its own due diligence, notwithstanding the Hong Kong Property Non-Conforming Matters, the REIT Manager is of the view that: (i) there is no real risk of enforcement action by the Hong Kong Government by way of re-entry of the Hong Kong Property and SF REIT shall, through Goodear, hold good and marketable legal and beneficial title to the Hong Kong Property upon Listing; (ii) the Hong Kong Non-Conforming Matters will not affect Goodear's ability to lease, sell or mortgage the Hong Kong Property where such matters are disclosed to the purchaser or mortgagee and they are fully aware of the legal consequences and have accepted the Hong Kong Property on such basis prior to their signing of the relevant agreement; and (iii) the mere existence of the Hong Kong Property Non-Conforming Matters does not render the relevant leases to which such Hong Kong Property Non-Conforming Matters relate unenforceable. All subsisting leases and the Third Party Sub-Lease in respect of the Hong Kong Property are legal, valid, binding and enforceable by or on behalf of SF REIT in accordance with their terms.

In respect of the Foshan Property Non-Conforming Matters, the PRC Legal Advisors have confirmed that notwithstanding the Foshan Property Non-Conforming Matters, SF REIT shall, through Foshan Company (PRC), hold good marketable legal and beneficial title in the Foshan Property after Asset Injection Completion and upon Listing. Further, the PRC Legal Advisors are of the view that: (i) the Foshan Property Non-Conforming Matters will not, in and of itself, prevent the Foshan Property from being leased, bought, sold or being accepted by banks as security for mortgages; (ii) the subsisting lease at the Foshan Property remains legal and enforceable; and (iii) the risk of any of the abovementioned enforcement actions being imposed in respect of the Foshan Property Non-Conforming Matters, is practically non-existent.

In respect of the Wuhu Property Non-Conforming Matters, the PRC Legal Advisors have confirmed that notwithstanding the Wuhu Property Non-Conforming Matters, SF REIT shall, through Wuhu Company (PRC), hold good marketable legal and beneficial title in the Wuhu Property after Asset Injection Completion and upon Listing. Further, the PRC Legal Advisors are of the view that as at the Latest Practicable Date: (i) the Wuhu Property Non-Conforming Matters will not prevent the Wuhu Property from being leased, bought, sold or being accepted by banks as security for mortgages; (ii) all subsisting leases in respect of the Wuhu Property remain legal and enforceable; and (iii) the risk of any of the abovementioned enforcement actions being imposed in respect of such non-compliance is practically non-existent.

Having regard to the above, the REIT Manager is of the view that the Hong Kong Non-Conforming Matters, the Foshan Non-Conforming Matters and the Wuhu Non-Conforming Matters are immaterial non-compliances and are not reasonably expected to have a material and adverse impact on the financial condition and business of SF REIT.

Based on the Sole Listing Agent's due diligence conducted, no information have come to the attention of the Sole Listing Agent that have caused the Sole Listing Agent to believe that the Hong Kong Non-Conforming Matters, the Foshan Non-Conforming Matters and the Wuhu Non-Conforming Matters as set out above would be reasonably expected to have a material adverse impact on the financial condition and business and operation of SF REIT taken as a whole.

Non-Registration of Leases

As at the Latest Practicable Date, the PRC Property Companies were unable to register any of the leases in respect of the PRC Properties with the relevant land and real estate administration bureaus primarily due to the administrative difficulty in seeking tenants' cooperation. As advised by the PRC Legal Advisors, according to the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法), a fine of RMB1,000 to RMB10,000 shall be imposed on the PRC Property Companies for non-registration of leases, and the maximum aggregate amount of penalty payable by the PRC Property Companies in respect of such unregistered leases is approximately RMB28,000.

As advised by the PRC Legal Advisors, non-registration of the abovementioned leases does not affect the rights or entitlements of SF REIT to lease out the PRC Properties to tenants, or the validity or the binding effect of the leases over contracting parties. As at the Latest Practicable Date, none of the PRC Property Companies had received a request from any government authority of the PRC to complete the registration formalities or penalised for the non-registration of the leases.

Pursuant to the Sale and Purchase Deed, SF Fengtai and SF Holding irrevocably undertook to indemnify on a joint and several basis, SF REIT, the Purchaser, the Predecessor Group, the Trustee and the REIT Manager, to the fullest extent permissible by law, for any liabilities, losses,damages, fines, fees and costs (on a full indemnity basis) resulting from the failure of any PRC Property Company to register the leases in respect of the PRC Properties that are subsisting as at the date of the Sale and Purchase Deed with the relevant government authorities within the time limit prescribed under the relevant laws and regulations of the PRC.

BUILDING SURVEYOR'S REPORT

The REIT Manager has commissioned Colliers International Agency Limited, the Building Surveyor, to prepare a building survey report in respect of the Properties. A copy of the Building Surveyor's report is included in Appendix VI to this Offering Circular. The REIT Manager is not aware of any issues identified in the Building Surveyor's report that are material to an investor's decision to invest in the Units.

The following selected financial and operating information set forth below should be read in conjunction with the Accountant's Report set forth in Appendix I to this Offering Circular as well as the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular. The Accountant's Report has been prepared in accordance with IFRS. The selected historical financial information included below and set forth in Appendix I to this Offering Circular is not indicative of SF REIT's future performance.

SELECTED COMBINED INCOME STATEMENTS

	Year ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	255,838	269,303	279,000
Property operating expenses	(61,813)	(61,961)	(62,759)
Net property income	194,025	207,342	216,241
General and administrative expenses	(3,995)	(3,082)	(3,492)
Fair value changes on investment properties	227,400	80,770	(53,839)
Net reversal of/(provision for) impairment losses for financial assets	35	(12)	(4)
Other income, net	5,624	936	1,708
Operating profit	423,089	285,954	160,614
Finance income	589	124	136
Finance costs	(62,660)	(72,165)	(118,425)
Profit before income tax	361,018	213,913	42,325
Income tax expense	(63,020)	(39,113)	(15,445)
Profit for the year attributable to owners of the Company	297,998	174,800	26,880

SELECTED COMBINED BALANCE SHEETS

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Investment properties	5,849,500	6,033,600	6,093,600
Property and equipment	12,333	11,355	14,722
Land use rights	669	641	668
Intangible assets	22	14	406
Prepayments for construction	1,491	–	–
	5,864,015	6,045,610	6,109,396
Current assets			
Trade receivables	955	1,183	1,693
Prepayments and other receivables	22,130	21,191	22,300
Amounts due from related parties	89	310	4,674
Cash and cash equivalents	23,963	5,732	24,747
	47,137	28,416	53,414
Total assets	5,911,152	6,074,026	6,162,810
EQUITY			
Equity attributable to owners of the Company			
Combined capital	215,381	250,568	–
Other reserves	1,621,329	1,612,844	1,527,668
Retained earnings	484,242	659,042	685,442
Total equity	2,320,952	2,522,454	2,213,110
LIABILITIES			
Non-current liabilities			
Borrowings	–	74,789	–
Amounts due to related parties	–	3,936	2,681,153
Deferred tax liabilities	393,016	431,903	447,478
Deferred government grants	30,089	28,834	30,077
	423,105	539,462	3,158,708
Current liabilities			
Borrowings	–	3,971	–
Trade and other payables	124,553	141,809	102,650
Amounts due to related parties	3,042,542	2,866,330	686,393
Current tax liabilities	–	–	1,949
	3,167,095	3,012,110	790,992
Total liabilities	3,590,200	3,551,572	3,949,700
Total equity and liabilities	5,911,152	6,074,026	6,162,810
Net current liabilities	(3,119,958)	(2,983,694)	(737,578)
Total assets less current liabilities	2,744,057	3,061,916	5,371,818

SELECTED COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	210,939	222,039	213,840
Net cash used in investing activities	(211,792)	(96,124)	(117,364)
Net cash used in financing activities	(68,179)	(143,974)	(78,786)
Net (decrease)/increase in cash and cash equivalents	(69,032)	(18,059)	17,690
Cash and cash equivalents at beginning of the year	93,943	23,963	5,732
Currency translation differences	(948)	(172)	1,325
Cash and cash equivalents at end of the year	23,963	5,732	24,747

You should read the following discussion in conjunction with the Predecessor Group's combined financial statements together with the accompanying notes set forth in the Accountant's Report included as Appendix I to this Offering Circular and the selected historical financial information and operating data included elsewhere in this Offering Circular. The Accountant's Report has been prepared in accordance with IFRS.

The Predecessor Group's historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Risk Factors".

OVERVIEW

SF REIT is the first logistics-focused REIT to be listed in Hong Kong. Its key investment objectives are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of SF REIT's properties. SF REIT's initial portfolio at Listing shall comprise three modern logistics properties located in Hong Kong, Foshan and Wuhu, respectively, with an aggregate Gross Lettable Area of 307,617.5 sq.m. as at 31 December 2020. Each of the Properties is strategically located within the key logistics hubs and near major airports, seaports, railways, express highways and transportation hubs in Hong Kong and the PRC.

BASIS OF PREPARATION

SF REIT has no operating history and will be set up as part of the Reorganisation exercise on the date of this Offering Circular. Chui Yuk and the Property Companies were under the common control of SFH, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as business combinations under common control, and the financial statements set forth in the Accountant's Report included as Appendix I to this Offering Circular have been prepared on a combined basis.

The historical financial information of the Predecessor Group has been prepared by including the historical financial information of Chui Yuk and the Property Companies as if the group structure immediately after the Reorganisation had been in existence throughout the periods presented, or since the date when Chui Yuk and the Property Companies first came under the common control of SFH, whichever is the shorter period.

The net assets of the combining companies were combined using the existing book values from SFH's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combinations under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

FACTORS AFFECTING RESULTS OF OPERATIONS

The major factors affecting SF REIT's financial condition and results of operations include the following:

General Economic Conditions in the PRC and Hong Kong

As the Properties are located in the PRC and Hong Kong, general economic conditions in the PRC and Hong Kong have a significant effect on the Predecessor Group's financial condition and operations, as well as SF REIT's prospects.

Benefitting from the economic reforms implemented by the PRC Government, China's economy has seen remarkable development over the past few decades and has become one of the world's most rapidly growing economies. With the further expansion of its economic scale, however, China's economy has entered into a "new normal" in recent years, which features a slower but more sustainable consumption-driven GDP growth model. Such trend, together with the steady expansion of middle and high income groups and the improvement of the disposable income per capita, have expedited the development of the emerging e-commerce industry, generating demand for third-party logistics services and modern logistics facilities. On the other hand, in the midst of the uncertainties brought about by the Sino-U.S. trade conflicts, the mass demonstrations and social movements since June 2019 and the disruptions to the global economy following the outbreak of the COVID-19 pandemic, Hong Kong's GDP in real terms declined by 1.2% in 2019 and is forecasted by the government to experience a further contraction by 6.1% in 2020. Any positive or negative trends among the above factors could have an impact on the demand for SF REIT's logistics facilities, which may ultimately affect SF REIT's financial condition and results of operations.

Changes in Fair Value of Investment Properties

The revaluation of the Properties has had an impact on the results of operations of the Predecessor Group, and may in the future cause significant fluctuations of SF REIT's results of operations. During the Track Record Period, fair values of completed investment properties or investment properties under development of the Predecessor Group were arrived at using different valuation methods, details of which are set forth in the Valuation Report included as Appendix IV to this Offering Circular. The fair value of completed investment properties is primarily affected by the term yield, reversionary yield, monthly market rent, rental income from existing tenancies and macroeconomic conditions, out of which term yield, reversionary yield and monthly market rent are considered the key inputs, while the fair value of investment properties under development is affected by the monthly market rent, the estimated profit and risk of the developer and the outstanding development costs. Details of the key inputs in the valuation of the investment properties are set forth in Note 13 to the Accountant's Report as set out in Appendix I to this Offering Circular.

For the year ended 31 December 2020, the Predecessor Group recorded losses from fair value changes on investment properties of HK$53.8 million due to the downward movements in open market rents of Hong Kong logistics facilities stemming from the outbreak of the COVID-19 pandemic. Such non-cash losses accounted for a substantial portion of the 43.8% decrease in operating profit from HK$286.0 million for the year ended 31 December 2019 to HK$160.6 million for the year ended 31 December 2020. While the Market Consultant anticipates that the impact of the COVID-19 pandemic will be temporary and the rent level of Hong Kong modern logistics properties will resume growth in the second half of 2021, fair value changes on investment properties as a result of market fluctuations caused by other factors are expected to significantly affect SF REIT's results of operations going forward.

Occupancy Rates and Rental Rates

SF REIT's profitability may vary from period to period depending on the occupancy rates and rental rates of the Properties. Factors affecting occupancy rates and rental rates include the overall attractiveness of the logistics facilities held by SF REIT, local supply and demand of comparable properties and their rental rates, the ability to minimise downtime as a result of expiries or early terminations of leases, tenant mix and general economic conditions.

Historically, the Predecessor Group generally maintained a consistently high occupancy rate for stabilised logistics facilities in the Hong Kong Property. As at 31 December 2018, 2019 and 2020, the Occupancy Rate of the Hong Kong Property was 94.4%, 97.2% and 93.6%, respectively. For the years ended 31 December 2018, 2019 and 2020, the Average Monthly Rental per Leased Square Metre of the Hong Kong Property was HK$113.3, HK$108.3 and HK$104.9. The decline in the Average Monthly Rental per Leased Square Metre and the decrease in the Occupancy Rate, which were primarily attributable to the prolonged leasing decision making process of tenants resulted from weakened investment sentiment of the open market, adversely affected the fair value of the Hong Kong Property as at 31 December 2020, which in turn partially resulted in a net loss of HK$38.9 million in the Hong Kong segment for the year ended 31 December 2020, as compared to a net profit of HK$141.6 million in the Hong Kong Segment for the year ended 31 December 2019.

The REIT Manager aims to improve rental rates while maintaining high occupancy rates through implementing a series of asset management strategies, such as introducing a periodic step-up rent mechanism in all new or renewed leases and active marketing to secure new tenants for impending vacant space. For details, please refer to the section headed "Strategy – Asset Management Strategy" in this Offering Circular. Nevertheless, there is no assurance that the aforesaid asset management strategies can be effectively implemented, nor is there a guarantee that existing leases of the Properties can be renewed on acceptable terms upon expiry, or at all. In the event that the management of the Properties are unable to retain existing tenants or secure and maintain new tenant relationships during the economic downturn, SF REIT's business growth may be hindered, which could in turn adversely affect its results of operations.

Access to Capital and Cost of Financing

SF REIT's business and the Properties are affected by its ability to access capital and the cost of financing. Historically, the Predecessor Group primarily funded its business operations, including its balance sheet investments, through internally generated funds and external financing, such as loans from related parties and bank borrowings. As at 31 December 2018, 2019 and 2020, the Predecessor Group had loans from related parties of HK$2,993.3 million, HK$2,805.0 million and HK$2,933.7 million, respectively, while bank borrowings as at the same dates amounted to nil, HK$78.8 million and nil, respectively. All bank borrowings had been fully repaid and settled in advance by 31 October 2020. As a result of its financings, the Predecessor Group recorded significant finance costs amounting to HK$62.7 million, HK$72.2 million and HK$118.4 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Outstanding loans from related parties and bank borrowings are subject to fixed interest rates. Consequently, in periods when market interest rates are falling, SF REIT could be locked into comparatively higher interest costs and may not benefit from the more favourable prevailing market interest rates.

Upon Listing, SF REIT's ability to access capital may have an impact on its ability to grow its assets base and business. SF REIT's ability to negotiate lower interest rates may affect its cost of financing, which could in turn affect its net profit. The REIT Manager has in place certain capital management strategies to ensure continuous access to capital and minimise the cost of financing. For details, please refer to the section headed "Strategy – Capital and Risk Management Strategy" in this Offering Circular.

Scheduled Expiries and Renewals of Leases

The terms of the leases for the Properties typically range from 1 to 10 years. Certain tenants are granted options to renew their tenancies by serving notice generally 30 days to six months prior to expiry, based on arms' length negotiation with factors including the prevailing market rates at the time of renewal being taken into consideration. As at 31 December 2020, Gross Lettable Area of the leases accounting for 7.9%, 16.8%, 8.2%, 0.0% and 61.1% of the Properties' Gross Lettable Area would expire during the years ending 31 December 2021, 2022, 2023, 2024 and 2025 and beyond, respectively. SF REIT's ability to retain existing leases upon their expiry and to re-let the expiring spaces will impact its results of operations.

For details of expiry profile for the Properties, please refer to the section headed "The Properties and Business – Tenant Profile of the Properties – Duration of the Leases" in this Offering Circular.

SIGNIFICANT ACCOUNTING POLICIES

For a discussion of the significant accounting policies applied in the preparation of the combined financial statements of the Predecessor Group, please refer to Note 2 of the Accountant's Report of the Predecessor Group set out in Appendix I to this Offering Circular.

PRINCIPAL COMPONENTS OF SELECTED COMBINED INCOME STATEMENT ITEMS

The following summary of the Predecessor Group's operating results is extracted from the Accountant's Report set out in Appendix I to this Offering Circular. Please read the following summary together with the Accountant's Report and the notes thereto. Each item has also been expressed as a percentage of the Predecessor Group's revenue.

	Year ended 31 December					
	2018		**2019**		**2020**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Revenue	255,838	100.0	269,303	100.0	279,000	100.0
Property operating expenses	(61,813)	(24.2)	(61,961)	(23.0)	(62,759)	(22.5)
Net property Income	194,025	75.8	207,342	77.0	216,241	77.5
General and administrative expenses	(3,995)	(1.5)	(3,082)	(1.1)	(3,492)	(1.3)
Fair value changes on investment properties	227,400	88.9	80,770	30.0	(53,839)	(19.3)
Net reversal of/(provision for) impairment losses for financial assets	35	0.0	(12)	(0.0)	(4)	(0.0)
Other income, net	5,624	2.2	936	0.3	1,708	0.6
Operating profit	423,089	165.4	285,954	106.2	160,614	57.5
Finance income	589	0.2	124	0.0	136	0.0
Finance costs	(62,660)	(24.5)	(72,165)	(26.8)	(118,425)	(42.4)
Profit before income tax	361,018	141.1	213,913	79.4	42,325	15.1
Income tax expense	(63,020)	(24.6)	(39,113)	(14.5)	(15,445)	(5.5)
Profit for the year attributable to owners of the Company	297,998	116.5	174,800	64.9	26,880	9.6

Revenue

During the Track Record Period, the Predecessor Group generated revenue primarily from (i) rental income; and (ii) management service income. For the years ended 31 December 2018, 2019 and 2020, the revenue generated by the Predecessor Group amounted to HK$255.8 million, HK$269.3 million and HK$279.0 million, respectively.

Rental income represents the income recognised from tenants under their tenancies for warehouses, distribution centres, offices, carpark spaces and ancillary facilities such as dormitory buildings. For the years ended 31 December 2018, 2019 and 2020, rental income generated by the Predecessor Group amounted to HK$208.4 million, HK$218.6 million and HK$223.3 million, respectively.

Management service income represents management fees and fees recognised for add-on property management services provided to the tenants, such as shuttle bus, cleaning and patrolling services. For the years ended 31 December 2018, 2019 and 2020, management service income generated by the Predecessor Group amounted to HK$47.5 million, HK$50.7 million and HK$55.6 million, respectively.

The table below sets forth a breakdown of the revenue for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Rental income	208,371	81.4	218,618	81.2	223,339	80.0
Management service income	47,467	18.6	50,672	18.8	55,640	20.0
Others	–	–	13	0.0	21	0.0
Total	255,838	100.0	269,303	100.0	279,000	100.0

Property Operating Expenses

The Predecessor Group's property operating expenses principally consist of (i) property management fee; (ii) rates and government rent; (iii) repairs and maintenance; (iv) other taxes; (v) employee benefit expenses; (vi) depreciation and amortisation; and (vii) leasing commission fee. For the years ended 31 December 2018, 2019 and 2020, the Predecessor Group's property operating expenses amounted to HK$61.8 million, HK$62.0 million and HK$62.8 million, respectively. The table below sets forth a breakdown of property operating expenses for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Property management fee	35,861	58.0	38,015	61.3	38,867	61.9
Rates and government rent	8,913	14.4	8,316	13.4	9,160	14.6
Repairs and maintenance	9,087	14.7	6,574	10.6	3,773	6.0
Other taxes[(1)]	1,291	2.1	3,756	6.1	5,685	9.1
Employee benefit expenses	1,933	3.1	2,145	3.5	2,282	3.6
Depreciation and amortisation	1,392	2.3	1,310	2.1	876	1.4
Leasing commission fee	1,470	2.4	–	–	356	0.6
Others[(2)]	1,866	3.0	1,845	3.0	1,760	2.8
Total	61,813	100.0	61,961	100.0	62,759	100.0

Notes:

(1) Other taxes primarily include, among others, stamp duty, urban construction tax, property tax and urban land use tax.

(2) Others primarily include, among others, insurance fees, staff travelling expenses and restaurant operating subsidies.

General and Administrative Expenses

The Predecessor Group's general and administrative expenses primarily include (i) employee benefit expenses; (ii) depreciation and amortisation; (iii) auditors' remuneration for audit services; and (iv) legal and consultancy fee. For the years ended 31 December 2018, 2019 and 2020, the Predecessor Group's general and administrative expenses amounted to HK$4.0 million, HK$3.1 million and HK$3.5 million, respectively. The table below sets forth a breakdown of the Predecessor Group's general and administrative expenses for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employee benefit expenses	2,217	55.5	1,247	40.5	1,949	55.8
Depreciation and amortisation	99	2.5	550	17.8	569	16.3
Auditors' remuneration (audit services)	157	3.9	216	7.0	210	6.0
Legal and consultancy fee	870	21.8	440	14.3	404	11.6
Others[(1)]	652	16.3	629	20.4	360	10.3
Total	3,995	100.0	3,082	100.0	3,492	100.0

Note:

(1) Others primarily include, among others, utilities and office consumables.

Fair Value Changes on Investment Properties

The fair value of the Predecessor Group's investment properties as at 31 December 2018, 2019 and 2020 were arrived at based on the valuation performed by the Independent Property Valuer in accordance with the relevant requirements of the Listing Rules and the REIT Code, as well as the valuation standards on properties issued by the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the International Valuation Standards Council. The fair value of the Predecessor Group's investment properties as at 31 December 2018, 2019 and 2020 amounted to HK$5,849.5 million, HK$6,033.6 million and HK$6,093.6 million, respectively.

The fair value changes on the Predecessor Group's investment properties resulted in (i) gains of HK$227.4 million and HK$80.8 million, respectively, for the years ended 31 December 2018 and 2019; and (ii) losses of HK$53.8 million for the year ended 31 December 2020.

Net Reversal of/(Provision for) Impairment Losses for Financial Assets

For the year ended 31 December 2018, the Predecessor Group had net reversal of impairment losses for financial assets of HK$35,000. For the year ended 31 December 2019 and 2020, the Predecessor Group made net provision for impairment losses for financial assets of HK$12,000 and HK$4,000, respectively.

Other Income, Net

The Predecessor Group's net other income primarily comprises (i) compensation income from early lease termination and others; (ii) foreign exchange loss; (iii) government grants and subsidies; and (iv) amortisation of deferred government grants, net of foreign exchange loss. For the years ended 31 December 2018, 2019 and 2020, the Predecessor Group's net other income amounted to HK$5.6 million, HK$0.9 million and HK$1.7 million, respectively. The table below sets forth details of the Predecessor Group's other income for the periods indicated:

	Year ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Government grants and subsidies	2,438	–	280
Amortization of deferred government grants	664	638	631
Losses on disposals of property and equipment	–	(13)	–
Compensation income from early lease termination and others	2,521	264	3,888
Foreign exchange loss	–	(1)	(3,095)
Others[(1)]	1	48	4
Total	5,624	936	1,708

Note:

(1) Others primarily include, among others, income from disposal of miscellaneous supplies and materials.

Finance Income

Finance income of the Predecessor Group represents interest income from Chui Yuk's and the Property Companies' deposits. For the years ended 31 December 2018, 2019 and 2020, the Predecessor Group's finance income amounted to HK$589,000, HK$124,000 and HK$136,000, respectively.

Finance Costs

Finance costs of the Predecessor Group include (i) interest expenses on borrowings; and (ii) interest expenses on amounts due to related parties. During the Track Record Period, the Predecessor Group capitalised certain amounts of the finance costs based on the weighted average interest rate applicable to its general borrowings during the corresponding year/period. For details, please refer to Note 10 of the Accountant's Report of the Predecessor Group set out in Appendix I to this Offering Circular.

For the years ended 31 December 2018, 2019 and 2020, the Predecessor Group's finance costs amounted to HK$62.7 million, HK$72.2 million and HK$118.4 million, respectively. The table below sets forth details of the Predecessor Group's finance costs for the periods indicated:

	Year ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Interest expenses on borrowings	61,913	3,245	3,182
Interest expenses on amounts due to related parties	2,623	68,962	115,874
	64,536	72,207	119,056
Amount capitalised	(1,876)	(42)	(631)
Total	62,660	72,165	118,425

Income Tax Expense

The Predecessor Group's profits in Hong Kong and the PRC are respectively subject to a statutory tax rate of 16.5% on the estimated assessable profit for the year and a standard EIT rate of 25%. Pursuant to the rules and regulations of the BVI, the Predecessor Group's profits are exempted from BVI income tax.

For the years ended 31 December 2018, 2019 and 2020, the Predecessor Group's income tax expense amounted to HK$63.0 million, HK$39.1 million and HK$15.4 million, respectively. The effective tax rate for each of the years ended 31 December 2018, 2019 and 2020 was 17.5%, 18.3% and 36.5%, respectively. The unusually high effective tax rate for the year ended 31 December 2020 primarily reflected losses associated with fair value changes on investment properties.

RESULTS OF OPERATIONS

The following discussion of results of operations of the Predecessor Group should be read in conjunction with the Predecessor Group's combined financial statements and the accompanying notes thereto set out in Appendix I to this Offering Circular.

Year Ended 31 December 2020 Compared against Year Ended 31 December 2019

Revenue

Revenue of the Predecessor Group increased by 3.6% from HK$269.3 million for the year ended 31 December 2019 to HK$279.0 million for the year ended 31 December 2020, primarily due to an increase in rental income.

Rental income increased by 2.2% from HK$218.6 million for the year ended 31 December 2019 to HK$223.3 million for the year ended 31 December 2020, primarily driven by an increase in leases entered into during the period.

Management service income increased by 9.8% from HK$50.7 million for the year ended 31 December 2019 to HK$55.6 million for the year ended 31 December 2020, which was generally in line with the increase in leases entered into during the period.

Property operating expenses

For the years ended 31 December 2019 and 2020, the property operating expenses of the Predecessor Group were HK$62.0 million and HK$62.8 million, respectively, remaining relatively stable.

General and administrative expenses

The Predecessor Group's general and administrative expenses increased by 13.3% from HK$3.1 million for the year ended December 2019 to HK$3.5 million for the year ended December 2020, principally as a result of a significant increase in employee benefit expense due to an increase in headcount of the Property Companies.

Fair value changes on investment properties

Non-cash losses from fair value changes on investment properties of the Predecessor Group for the year ended 31 December 2020 were HK$53.8 million (representing a 0.9% decrease in the fair value of investment properties), as compared to gains of HK$80.8 million (representing a 1.4% increase in the fair value of investment properties) for the year ended 31 December 2019. The decrease in the fair value on investment properties for the year ended 31 December 2020 was the result of the downward movements in Hong Kong open market rents stemming from the outbreak of the COVID-19 pandemic.

Net provision for impairment losses for financial assets

Net provision for impairment losses for financial assets decreased from approximately HK$12,000 for the year ended 31 December 2019 to approximately HK$4,000 for the year ended 31 December 2020.

Other income, net

The Predecessor Group's net other income increased by 82.5% from HK$0.9 million for the year ended 31 December 2019 to HK$1.7 million for the year ended 31 December 2020. Such a significant increase was primarily driven by an increase in compensation income from early lease termination and others from HK$0.3 million to HK$3.9 million, which reflected a single payment of compensation incurred from one tenant's early termination of its tenancy in the Wuhu Property in May 2020, the effect of which was partially offset by a significant increase in foreign exchange loss as a result of losses on translation of RMB denominated amounts due to related parties.

Finance income

Finance income increased from approximately HK$124,000 for the year ended 31 December 2019 to approximately HK$136,000 for the year ended 31 December 2020.

Finance costs

The Predecessor Group's finance costs increased by 64.1% from HK$72.2 million for the year ended 31 December 2019 to HK$118.4 million for the year ended 31 December 2020. Such a significant increase was primarily driven by an increase in interest expenses on amounts due to related parties from HK$69.0 million to HK$115.9 million as a loan from a related party drawn down in 2018 was initially subject to a 10-month interest-free period and only started to incur interest expenses in June 2019.

Income tax expense

Income tax expense of the Predecessor Group decreased by 60.5% from HK$39.1 million for the year ended 31 December 2019 to HK$15.4 million for the year ended 31 December 2020, principally attributable to a significant decrease in deferred income tax as a result of the revaluation losses in respect of the investment properties.

Profit for the year

The Predecessor Group's profit for the year decreased by 84.6% from HK$174.8 million for the year ended 31 December 2019 to HK$26.9 million for the year ended 31 December 2020, principally attributable to the fair value changes on investment properties which accounted for an increase in profit for the year ended 31 December 2019 of HK$80.8 million and a decrease in profit for the year ended 31 December 2020 of HK$53.8 million (cumulative impact to the change in profit for the years ended 31 December 2019 and 2020 was HK$134.6 million).

Year Ended 31 December 2019 Compared against Year Ended 31 December 2018

Revenue

Revenue of the Predecessor Group increased by 5.3% from HK$255.8 million for the year ended 31 December 2018 to HK$269.3 million for the year ended 31 December 2019, primarily due to an increase in rental income.

Rental income increased by 4.9% from HK$208.4 million for the year ended 31 December 2018 to HK$218.6 million for the year ended 31 December 2019, primarily as a result of (i) Wuhu Property embarking upon full operation in 2019 following its completion at the end of 2018; and (ii) a slight increase in the occupancy rate of the Hong Kong Property.

Management service income increased by 6.8% from HK$47.5 million for the year ended 31 December 2018 to HK$50.7 million for the year ended 31 December 2019, primarily due to (i) Wuhu Property embarking upon full operation in 2019; and (ii) a slight increase in the occupancy rate of the Hong Kong Property.

Property operating expenses

For the year ended 31 December 2018 and 2019, the property operating expenses of the Predecessor Group were HK$61.8 million and HK$62.0 million, respectively, remaining relatively stable.

General and administrative expenses

The Predecessor Group's general and administrative expenses decreased by 22.9% from HK$4.0 million for the year ended 31 December 2018 to HK$3.1 million for the year ended 31 December 2019. Such decrease was mainly attributable to (i) a significant decrease in employee benefit expenses due to the fact that certain employees in the Wuhu Property and Foshan Property were transferred to their respective property management service providers; and (ii) a decrease in legal and consultancy fee, the effects of which were partially offset by an increase in depreciation and amortisation.

Fair value changes on investment properties

Gains from fair value changes on investment properties of the Predecessor Group for the year ended 31 December 2019 were HK$80.8 million (representing a 1.4% increase in the fair value of investment properties), as compared to gains of HK$227.4 million (representing a 4.1% increase in the fair value of investment properties) for the year ended 31 December 2018. The increase in the fair value on investment properties for the year ended 31 December 2019 was the result of improved open market rents for modern logistics properties.

Net reversal of/(provision for) impairment losses for financial assets

The Predecessor Group recorded net provision for impairment losses for financial assets of HK$12,000 for the year ended 31 December 2019, as compared to net reversal of impairment losses for financial assets of HK$35,000 for the year ended 31 December 2018.

Other income, net

The Predecessor Group's net other income significantly declined by 83.4% from HK$5.6 million for the year ended 31 December 2018 to HK$0.9 million for the year ended 31 December 2019. Such decline was mainly attributable to: (i) a significant decrease in government grants and subsidies from HK$2.4 million for the year ended 31 December 2018 to nil for the year ended 31 December 2019 due to the fact that the land use tax refund the Predecessor Group entitled to in prior years had been fully paid up by the end of 2018; and (ii) a significant decrease in compensation income from early lease termination and others from HK$2.5 million for the year ended 31 December 2018, which was largely incurred from a single payment of compensation by a tenant for its early termination of tenancy in the Hong Kong Property in November 2018, to HK$0.3 million for the year ended 31 December 2019.

Finance income

Finance income decreased by 78.9% from approximately HK$589,000 for the year ended 31 December 2018 to approximately HK$124,000 for the year ended 31 December 2019, primarily due to a decrease in deposits relating to the unused portion of borrowings and investment proceeds as the Foshan Property entered into a later stage of construction in 2019.

Finance costs

Finance costs increased by 15.2% from HK$62.7 million for the year ended 31 December 2018 to HK$72.2 million for the year ended 31 December 2019. The Predecessor Group drew down loans from related parties in 2018 to replace certain bank borrowings with a view to reducing finance costs. One such loan was initially subject to a 10-month interest-free period and only started to incur interest expenses in June 2019. Interest expenses on amounts due to related parties therefore significantly increased from HK$2.6 million for the year ended 31 December 2018 to HK$69.0 million for the year ended 31 December 2019, the effect of which was partially offset by a significant decrease in interest expenses on borrowings from HK$61.9 million for the year ended 31 December 2018 to HK$3.2 million for the year ended 31 December 2019.

Income tax expense

Income tax expense of the Predecessor Group significantly decreased by 37.9% from HK$63.0 million for the year ended 31 December 2018 to HK$39.1 million for the year ended 31 December 2019, primarily due to a drastic decline of revaluation gains in respect of the investment properties.

Profit for the year

As a result of the cumulative effect of the factors described above, profit of the Predecessor Group decreased by 41.3% from HK$298.0 million for the year ended 31 December 2018 to HK$174.8 million for the year ended 31 December 2019.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Predecessor Group's principal sources of liquidity have been proceeds from cash flows from operating activities, unutilised financing facilities from related parties and bank borrowings. The proceeds from the Global Offering and other debt and equity financing will be used to fund the acquisition of the Predecessor Group, payment of transaction costs and general corporate purposes. For details of how the proceeds from the Global Offering will be applied, please refer to the section headed "Use of Proceeds" in this Offering Circular.

Cash Flows

The table below shows the selected line items of the Predecessor Group's combined statements of cash flows during the Track Record Period.

	Year ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	210,939	222,039	213,840
Net cash used in investing activities	(211,792)	(96,124)	(117,364)
Net cash used in financing activities	(68,179)	(143,974)	(78,786)
Net (decrease)/increase in cash and cash equivalents	(69,032)	(18,059)	17,690
Cash and cash equivalents at beginning of the year	93,943	23,963	5,732
Currency translation differences	(948)	(172)	1,325
Cash and cash equivalents at end of the year	23,963	5,732	24,747

Cash flows from operating activities

Net cash generated from operating activities for the year ended 31 December 2020 amounted to HK$213.8 million, which was primarily attributable to profit before income tax of HK$42.3 million, adjusted for non-cash and non-operating items and the effects of the movements of working capital. The Predecessor Group's movements in working capital reflected a decrease in net payables to related parties of HK$9.2 million due to (i) the payment of professional service fees in respect of the Listing on behalf of a related party; and (ii) decreases in deposits received from related parties and rental prepayments as a result of rent concession offered to a replacing tenant for vacant logistics facilities soon after the expiry of leases with certain related party tenants, partially offset by a decrease in trade and other receivables of HK$6.1 million as a result of deduction of input value-added tax recoverable amounts in connection with the construction costs of the Foshan Property and the Wuhu Property from output value-added tax payables.

Net cash generated from operating activities for the year ended 31 December 2019 amounted to HK$222.0 million, which was primarily attributable to the profit before income tax of HK$213.9 million, adjusted for non-cash and non-operating items and the effects of the movements of working capital. The Predecessor Group's movements in working capital reflected (i) an increase in net payables to related parties of HK$15.7 million due to increases in deposits received from related parties and rental prepayments as a result of the expansion of the related-party tenant profile; and (ii) a decrease in trade and other receivables of HK$5.1 million as a result of deduction of input value-added tax recoverable amounts in connection with the construction costs of the Wuhu Property from output value-added tax payables, partially offset by a decrease in trade and other payables of HK$5.3 million as a result of a decrease in deposits received from tenants due to a lower percentage of occupied area attributable to third-party tenants in the Hong Kong Property.

Net cash generated from operating activities for the year ended 31 December 2018 amounted to HK$210.9 million, which was primarily attributable to the profit before income tax of HK$361.0 million, adjusted for non-cash and non-operating items and the effects of the movements of working capital. The Predecessor Group's movements in working capital reflected (i) an increase in trade and other payables of HK$13.2 million as a result of an increase in area occupied by third-party tenants in the Hong Kong Property; (ii) a decrease in trade and other receivables of HK$0.6 million; and (iii) an increase in net payables to related parties of HK$0.5 million.

Cash flows used in investing activities

Net cash used in investing activities for the year ended 31 December 2020 amounted to HK$117.4 million, which was primarily attributable to additions of investment properties of HK$112.9 million pertaining to the partial payments of construction expenses of the Foshan Property and the Wuhu Property.

Net cash used in investing activities for the year ended 31 December 2019 amounted to HK$96.1 million, which was primarily attributable to additions of investment properties of HK$95.1 million pertaining to the partial payments of construction expenses of the Foshan Property and the Wuhu Property.

Net cash used in investing activities for the year ended 31 December 2018 amounted to HK$211.8 million, which was primarily attributable to (i) additions of investment properties of HK$201.2 million pertaining to the partial payments of construction expenses of the Hong Kong Property, the Foshan Property and the Wuhu Property; and (ii) additions of property and equipment of HK$10.6 million.

Cash flows used in financing activities

Net cash used in financing activities for the year ended 31 December 2020 amounted to HK$78.8 million, which was primarily attributable to repayments of loans from related parties of HK$334.9 million in relation to project development of the Hong Kong Property and interest paid of HK$119.5 million, partially offset by proceeds from loans from related parties of HK$451.4 million for general corporate use.

Net cash used in financing activities for the year ended 31 December 2019 amounted to HK$144.0 million, which was primarily attributable to repayments of loans from related parties of HK$488.8 million in relation to general corporate use and project development of the Hong Kong Property and interest paid of HK$44.4 million, partially offset by (i) proceeds from loans from related parties of HK$273.9 million for general corporate use and settlement of construction costs of the Foshan Property; (ii) proceeds from borrowings of HK$80.2 million to repay loans from related parties mentioned above; and (iii) capital injection by the then direct owner of HK$35.2 million to finance the construction of the Foshan Property.

Net cash used in financing activities for the year ended 31 December 2018 amounted to HK$68.2 million, which was primarily attributable to (i) repayments of borrowings of HK$1,683.0 million in relation to property development of the Hong Kong Property; (ii) repayments of loans from related parties of HK$252.0 million in relation to the financing of the constructions of the Hong Kong Property and the Wuhu Property; and (iii) interest paid of HK$66.1 million, partially offset by (i) proceeds from loans from related parties of HK$1,874.9 million for the purpose of replacing the repaid bank borrowings mentioned above; and (ii) capital injection by the then direct owner of HK$58.1 million to finance the construction of the Foshan Property.

CAPITAL EXPENDITURES

During the Track Record Period, capital expenditures of the Predecessor Group comprised payments of HK$425.4 million for additions of investment properties, additions of property and equipment and purchase of intangible assets. The total payments for additions of investment properties, additions of property and equipment and purchase of intangible assets amounted to HK$211.8 million, HK$96.2 million and HK$117.4 million for the years ended 31 December 2018, 2019 and 2020, respectively.

It is estimated that the future capital expenditures for the three years ending 2023 will be HK$78.2 million, which will be funded primarily by cash flows generated from operating activities. The REIT Manager has not taken into consideration potential expenses to be incurred for pursuing any future acquisition opportunities in making the above estimate. Such capital expenditures will be mainly used for refurbishment and enhancement of facilities of the Properties.

INDEBTEDNESS

Historically, the indebtedness of the Predecessor Group consisted of bank borrowings, non-trade related loans from related parties and non-trade related other payables to related parties. As at 31 December 2018, 2019 and 2020, bank loans of the Predecessor Group amounted to nil, HK$78.8 million and nil, respectively. Weighted average effective interest rate for the bank loans outstanding as at 31 December 2019 was 4.86%. All bank borrowings had been settled by October 2020. As at 31 December 2018, 2019 and 2020, non-trade related loans from related parties amounted to HK$2,993.3 million, HK$2,805.0 million and HK$2,933.7 million, respectively. As at 31 December 2018, 2019 and 2020, non-trade related other payables to related parties amounted to HK$0.1 million, HK$0.2 million and HK$373.9 million, respectively.

As at 31 March 2021, non-trade related loans from related parties amounted to HK$2,940.0 million and non-trade related other payables to related parties amounted to HK$372.3 million. These amounts were unsecured and unguaranteed. Apart from intra-group liabilities and normal account and other payables in the ordinary course of business, the Predecessor Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, or hire purchase commitments, guarantees or other material contingent liabilities as at 31 March 2021.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

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

Foreign Exchange Risk

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

The Predecessor Group operates in China and Hong Kong with most of the transactions denominated in RMB and HKD. The Predecessor Group's exposure to foreign exchange risk mainly relates to Foshan Company (HK)'s and Wuhu Company (HK)'s amounts due to related parties, denominated primarily in RMB. The functional currency of each of the two companies is HKD. The Predecessor Group has not specifically hedged this exposure considering the amounts will be settled in the near future. For an analysis of the Predecessor Group's exposure to foreign currency risk and the aggregate net foreign exchange losses during the Track Record Period, see Appendix I to this Offering Circular.

Fair Value Interest Rate Risk

The Predecessor Group's interest rate risk is mainly attributable to its borrowings and amounts due to related parties. The Predecessor Group's borrowings and amounts due to related parties are obtained at fixed rates and expose the Predecessor Group to fair value interest rate risk. Details of the Predecessor Group's borrowings and amounts due to related parties have been disclosed in Notes 22 and 28 of the Accountant's Report of the Predecessor Group set out in Appendix I to this Offering Circular. The Predecessor Group currently has not entered into any interest rate swap contract and will only consider hedging if there is significant interest rate risk.

Other than amounts due to related parties and borrowings, the Predecessor Group does not have significant interest-bearing assets or liabilities.

Credit Risk

Credit risk arises from cash and cash equivalents, trade and other receivables from third parties and related parties. The Predecessor Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the combined balance sheet. The Predecessor Group has no significant concentration of credit risk arising from third parties, with exposure spread over certain counterparties and customers.

The Predecessor Group has two types of financial assets that are subject to the expected credit loss model: (i) trade receivables; and (ii) other financial assets carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was minimal, as the cash and cash equivalents were deposited at reputable financial institutions with no historical credit losses experienced.

Trade receivables from third parties

In order to minimise the credit risk of trade receivables, the management of the Predecessor Group established policies in place to ensure that the leases and sales of services are made to customers with an appropriate credit history. The Predecessor Group also assesses the credit worthiness and financial strength of its customers, taking into consideration the prior dealing history with them. The compliance of credit limits by the customers is regularly monitored by the management of the Predecessor Group. There was no historical loss during the Track Record Period. The Predecessor Group also has policies in place to ensure that rental security deposits are required prior to commencement of leases. In this regard, the management of the Predecessor Group considers that the Predecessor Group's credit risk of trade receivables is significantly reduced.

The Predecessor Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis.

The expected loss rates are based on the Predecessor Group's past loss experiences, existing market conditions as well as forward looking information at the end of each reporting periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables. The Predecessor Group has identified the GDP of the regions in which it operates the Properties to be the most relevant macroeconomic factor. The Predecessor Group had no historical credit loss experiences related to trade receivables during the Track Record Period, and thus the expected loss rates on trade receivables of the Predecessor Group during the Track Record Period are minimal.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Predecessor Group and the ageing of the trade receivables being greater than one year. All the trade receivables have been settled within one year during the Track Record Period.

Trade receivables from related parties

In respect of amounts due from related parties with gross carrying value of approximately HK$15,000, HK$226,000 and HK$36,000 as at 31 December 2018, 2019 and 2020, respectively, given the strong financial capability of SFH and its subsidiaries, the management of the Predecessor Group does not consider that there is a risk of default and does not expect any losses from non-performance by these related parties, and accordingly, no impairment was recognised in respect of the amounts due from related parties.

Other financial assets carried at amortised cost

The Predecessor Group's other financial assets carried at amortised cost include other receivables and amount due from third parties and other receivables from related parties. The impairment loss of other financial assets carried at amortised cost is measured based on the twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2018, 2019 and 2020, the management of the Predecessor Group considered the credit risk of other receivables from third parties and other receivables from related parties to be low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Predecessor Group has assessed that the expected credit losses for these other receivables from third parties and other receivables from related parties were minimal under twelve months expected losses method. Therefore, the impairment loss allowance required for these balances was minimal.

Liquidity Risk

The management of the Predecessor Group monitors and maintains a level of cash and cash equivalents deemed adequate by it to finance the Predecessor Group's operations. As at 31 December 2020, the Predecessor Group had net current liabilities of HK$737.6 million. Taking into account the available resources as set out in Note 2.1 of the Accountant's Report included as Appendix I to this Offering Circular, the Predecessor Group will be able to meet its financial obligation when they fall due. In addition, the REIT Manager intends to reduce net current liabilities through (i) an increased level of funds to be generated from SF REIT's business activities in the near future, especially after the commencement of operations of the Foshan Property in 2021; (ii) settling payables for construction; and (iii) net proceeds from the Global Offering.

The table below analyses the Predecessor 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.

	Less than 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018				
Trade and other payables	119,771	–	–	119,771
Amounts due to related parties	3,045,058	–	–	3,045,058
	3,164,829	–	–	3,164,829

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019				
Borrowings	8,065	38,877	39,577	86,519
Trade and other payables	137,816	–	–	137,816
Amounts due to related parties	2,981,226	2,046	2,083	2,985,355
	3,127,107	40,923	41,660	3,209,690
As at 31 December 2020				
Trade and other payables	98,434	–	–	98,434
Amounts due to related parties	784,910	2,681,153	–	3,466,063
	883,344	2,681,153	–	3,564,497

DIVIDEND AND DISTRIBUTABLE RESERVES

No dividends were paid or declared by the Company during each of the years ended 31 December 2018, 2019 and 2020.

Upon Listing, SF REIT's distributions to Unitholders will, subject to compliance with applicable legal and regulatory requirements, be declared and paid in Hong Kong dollars. The REIT Manager also has the discretion to direct the Trustee from time to time to make distributions over and above the minimum 90% of Annual Distributable Income if and to the extent SF REIT, in the opinion of the REIT Manager, has funds surplus to its business requirements. The REIT Manager currently intends to distribute 100% of the Annual Distributable Income for the Profit Forecast Period. For details of SF REIT's distribution policy, please refer to the section headed "Distribution Policy" in this Offering Circular.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, the Predecessor Group did not have any capital commitments, nor did it have any material contingent liabilities or other off-balance sheet arrangements.

LISTING EXPENSES

All incremental costs that are directly attributable to the issue of units are directly deducted from equity. The total issue cost for the Listing is estimated to be approximately HK$88.9 million assuming an Offer Price of HK$4.92 per Offer Unit (which is the mid-point of the Offer Price Range), which includes underwriting commission and other legal and professional fees directly related to the Listing, assuming the Over-allotment Option is not exercised. Of the total issue cost, the portion to be charged as administrative expenses to SF REIT's profit and loss accounts is approximately HK$18.0 million and the portion to be capitalised is approximately HK$70.9 million. The above estimates are for reference purpose only, and the actual amounts may differ from such estimates. As at 31 December 2020, issue cost of approximately HK$4.5 million was already paid by the Predecessor Group on behalf of SF REIT and was recorded as other receivables due from related parties by the Predecessor Group as set forth in Note 28 to the Accountant's Report included as Appendix I to this Offering Circular.

PROPERTY INTERESTS AND PROPERTY VALUATION

Details relating to the valuation of the Properties are set forth in Appendix IV to this Offering Circular. The Independent Property Valuer has valued the Properties as at 31 March 2021. The text of its letter, summary of values and valuation certificates are set forth in Appendix IV to this Offering Circular.

The table below sets forth the reconciliation between the net book value of the Properties as at 31 December 2020 that was valued by the Independent Property Valuer and included in the Predecessor Group's combined balance sheet and the revalued amount of the Properties as at 31 March 2021:

	HK$ in millions
Net book value of the Properties as at 31 December 2020	6,093.6
Valuation surplus	9.7
Currency translation differences	(3.4)
Revalued amount as at 31 March 2021	6,099.9

RECENT DEVELOPMENTS

On 25 and 27 April 2021 respectively, each of the Foshan Company (PRC) and the Wuhu Company (PRC) (each as borrower) entered into a facility agreement with the Onshore Lender for a term loan facility. The term loan facility granted to Foshan Company (PRC) is for a principal amount of up to RMB120 million, and the term loan facility granted to Wuhu Company (PRC) is for a principal amount of up to RMB100 million.

The term of each Onshore Loan is five years from the first drawdown date. The interest rate for the Onshore Loans is 5.5% per annum. The proceeds from the drawdown of the Onshore Loans will be used to settle (i) the amounts due to related parties in connection with liabilities owing from the PRC Property Companies to subsidiaries of SFH; and (ii) the payables for construction in respect of the PRC Properties. The Onshore Loans are secured by a first priority mortgage over the Foshan Property and a charge over each of the PRC Property Companies' rental collection accounts. For details of such financing arrangements, please refer to the section headed "Material Agreements and Other Documents – Onshore Facility Agreements". The REIT Manager confirms that the settlement of the aforesaid amounts with Onshore Loans will have no material adverse effect on the financial or trading position of SF REIT.

NO MATERIAL ADVERSE CHANGE

Directors have confirmed that, since 31 December 2020 and up to the date of this Offering Circular, there was no material adverse change in SF REIT's financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information in the Accountant's Report included as Appendix I to this Offering Circular.

After Listing, there will be certain changes to SF REIT's cost structure, level of indebtedness and operations. As a result, the following discussion has been prepared to assist investors' evaluation of the factors which may affect SF REIT's future results of operations.

Such statements are subject to uncertainties and assumptions, and under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by SFH, SF Holding, the REIT Manager, the Trustee, the Sole Listing Agent, the Underwriters or any other person that the underlying assumptions will materialise. Investors are cautioned not to place undue reliance on these forward-looking statements.

OVERVIEW

SF REIT is the first logistics-focused REIT to be listed in Hong Kong. Its key investment objectives are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of SF REIT's properties. The investment focus of SF REIT shall be income-producing real estate globally, with an initial focus on logistics properties. The three Properties in SF REIT's initial portfolio offer investors direct exposure to modern logistics properties in Hong Kong and the PRC. The historical financial information of the Predecessor Group set forth in Appendix I to this Offering Circular has been prepared by including the historical financial information of Chui Yuk and the Property Companies as if the group structure immediately after Listing had been in existence throughout the periods presented, or since the date when Chui Yuk and the Property Companies first came under the common control of SFH, whichever is the shorter period. While the sources of revenues of SF REIT will be similar to those of the Predecessor Group, its cost structure after the Listing Date will differ in certain significant respects from the historical cost structure of the Predecessor Group. For instance, certain new costs that were not costs of the Predecessor Group historically, such as fees payable to the REIT Manager, the Trustee and other trust-related expenses, will be costs of SF REIT going forward.

In addition, in accordance with the Trust Deed, distributions to Unitholders will be determined on the basis of Annual Distributable Income, which is the consolidated audited net profit after tax of SF REIT and its subsidiaries for the relevant financial year adjusted to eliminate the effects of certain significant adjustments, as more specifically described in the section headed "Distribution Policy" in this Offering Circular.

Thus, for these and other reasons described below, historical net profit after tax of the Predecessor Group should not be treated as comparable to Annual Distributable Income.

Further, the presentation format of SF REIT's financial information may differ from that of the audited financial information set forth in Appendix I to this Offering Circular. Set forth below are details of the additional cost items and other financial statement items of the

Predecessor Group that may be affected by the Global Offering and other material agreements to be entered into. Please refer to the sections headed "Material Agreements and Other Documents" and "The Trust Deed" in this Offering Circular for further details of these agreements.

SIGNIFICANT ACCOUNTING POLICIES TO BE ADOPTED BY SF REIT

Significant policies are those that are expected to have a significant impact on the reporting of financial condition and results of operations and require management to make estimates and judgements that affect the reported results. These estimates are evaluated on an ongoing basis, based on historical experience, information that is currently available and various assumptions that management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Due to the different legal, financial and operating structure of SF REIT compared to the Predecessor Group's operations, SF REIT will adopt certain accounting treatments that will differ in certain respects from those used in preparing the audited financial statements of the Predecessor Group. Based on the provisions of the Trust Deed, the REIT Manager expects to adopt significant accounting policies materially similar to those adopted by the Predecessor Group as set out in Note 2 of the Accountant's Report in Appendix I to this Offering Circular. Significant accounting policies will require the most significant judgements and estimates in the preparation of SF REIT's consolidated financial statements and have the most significant effect on the presentation of SF REIT's results. In the event of any future changes to SF REIT's business, SF REIT may be required to adopt different or additional critical accounting policies which may be similar to those used in the preparation of the financial statements of the Predecessor Group.

ADDITIONAL COST ITEMS

SF REIT will incur fees and expenses associated with the REIT structure that were not previously incurred by the Predecessor Group in respect of the Properties. Set out below are certain such additional cost items.

REIT Manager's Fees

Upon Listing, REIT Manager is entitled to receive the following fees from SF REIT under the Trust Deed:

(a) on a semi-annual basis, a Base Fee of 10.0% per annum of the Base Fee Distributable Income; and

(b) on an annual basis, a Variable Fee of 25.0% per annum of the difference in DPU in a financial year compared to the preceding financial year multiplied by the weighted average number of Units in issue for such financial year (for the purpose of calculating the Variable Fee only, the DPU shall be calculated before accounting for the Variable Fee but after accounting for the Base Fee for the relevant financial year).

The REIT Manager currently intends to elect to receive 100% of the Base Fee for 2021 in the form of cash. No Variable Fee shall accrue or be payable for the period from the Listing Date to 31 December 2021. The Variable Fee for the year ending 31 December 2022 will be calculated by reference to the annualised actual DPU for the period from the Listing Date to 31 December 2021 and actual DPU for the year ending 31 December 2022. The Base Fee and Variable Fee, whether paid in cash or in Units, will be treated as an expense item in the income statement. When the Base Fee and the Variable Fee are paid in the form of Units, it will be an adjustment item that will be added back to the net profit after taxation for purposes of calculating the Interim Distributable Income and the Annual Distributable Income. For further arrangements and a detailed description of the Base Fee and the Variable Fee, please refer to the sections headed "The REIT Manager – Further Details Regarding the REIT Manager" and "Distribution Policy" in this Offering Circular.

Acquisition Fee and Divestment Fee

The REIT Manager is entitled to an Acquisition Fee (i) not exceeding the rate of 0.5% of the acquisition price of each real estate acquired from the SFH Group; and (ii) not exceeding 1.0% of the acquisition price of each real estate acquired from third parties other than the 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 is payable to the REIT Manager as soon as practicable after completion of the acquisition.

The REIT Manager is entitled to a Divestment Fee not exceeding the rate of 0.5% of the sale price of each real estate sold or divested, directly or indirectly, by SF REIT (pro-rated if applicable to the proportion of SF REIT's interest in the real estate sold). The Divestment Fee is payable as soon as practicable after completion of the divestment.

For further arrangements and a detailed description of the Acquisition Fee and Divestment Fee, please refer to the section headed "The REIT Manager – Further Details Regarding the REIT Manager – Fees, Costs and Expenses of the REIT Manager" in this Offering Circular.

Trustee's Fees

SF REIT's costs will also include the Trustee's fee which will be calculated and paid semi-annually as an ongoing fee of not more than 0.025% per annum of the value of the Deposited Property (which may be increased up to a maximum of 0.06% per annum of the value of the Deposited Property) subject to a minimum of HK$66,000 per month. In addition, SF REIT will also pay the Trustee a one-off acceptance fee of HK$180,000 upon Listing. For further information regarding these arrangements, please refer to the section headed "The Trust Deed – Trustee's Fee" in this Offering Circular.

The Trustee may also charge SF REIT additional fees on a time-cost basis at a rate to be agreed with the REIT Manager from time to time, if the Trustee were to undertake duties that are of an exceptional nature or otherwise outside the scope of its normal duties in the ordinary course of normal day-to-day business operation of SF REIT, such as acquisitions or divestments of investments by SF REIT after Listing.

Listing and Capital Resources

After Listing, net cash received from the operations of the Properties will be SF REIT's primary source of liquidity to fund cash distributions to Unitholders, debt servicing, repairs and maintenance and other operating and capital costs. Where appropriate, SF REIT may also seek to issue further Units and debt securities and incur external borrowings (under the REIT Code, SF REIT is only allowed to borrow up to 50% of its gross asset value), particularly in relation to any proposal to acquire further properties. The issue of additional equity or equity-linked securities may result in additional dilution to Unitholders.

The REIT Manager may incur capital expenditures or other expenses intended to enhance the Properties to improve the yield or long-term value of the Properties, by improving rental rates or occupancy rates or otherwise increasing the total rentable area of the Properties. Such enhancements should both increase the cash flows from the Properties and the value of the Properties, which may allow the REIT Manager further flexibility to borrow in accordance with the REIT Code.

The Building Survey Report prepared by the Building Surveyor set out in Appendix VI to this Offering Circular includes ten-year forecast of repair, maintenance and capital expenditure.

As at 31 December 2020, the Predecessor Group did not have any capital commitments.

WORKING CAPITAL STATEMENT

Taking into consideration the financial resources available to SF REIT, including its internally generated funds, the Offshore Loans, the Onshore Loans and the estimated net proceeds of the Global Offering, the REIT Manager confirms that SF REIT has sufficient working capital to meet its present requirements, that is, for at least the next 12 months after the date of this Offering Circular.

NO MATERIAL ADVERSE CHANGE

The REIT Manager confirms that, having performed reasonable due diligence on SF REIT and the Predecessor Group, there has been no material adverse change in SF REIT's and the Predecessor Group's financial or trading position or prospects since 31 December 2020, which is the end of the period covered by the Accountant's Report set out in Appendix I to this Offering Circular.

Statements contained in this profit forecast section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by SF REIT, the REIT Manager, the Trustee, the Underwriters, the Sole Listing Agent or any other person involved in the Global Offering with respect to the accuracy of the underlying assumptions used in preparing the profit forecast or that the profit forecast results will be achieved or are likely to be achieved. None of SF REIT, the REIT Manager, the Trustee, the Underwriters, the Sole Listing Agent or any other person involved in the Global Offering guarantees the performance of SF REIT or the payment of any (or any particular) return on the Units. Investors are cautioned not to place undue reliance on these forward-looking statements which are made only as of the date of this Offering Circular.

The profit forecast (including the underlying assumptions), for which the REIT Manager is responsible, has been approved by the Board. The profit forecast has been prepared on the bases and assumptions set out below and in accordance with IFRS and is consistent in all material respects with those accounting policies expected to be adopted by SF REIT, which are materially similar to those adopted by Golden Bauhinia in the Accountant's Report set out in Appendix I to this Offering Circular. The forecast income statement data of SF REIT on the following pages of this Offering Circular has been prepared on a consolidated basis, reflecting the forecast consolidated income statement of SF REIT, for the period from the Listing Date to 31 December 2021 (the "Profit Forecast Period"). The profit forecast assumes that the Listing Date will be 17 May 2021 and will vary if the Listing Date is different.

The audited financial results of the Predecessor Group in this Offering Circular only cover the years ended 31 December 2018, 2019 and 2020. The financial information relating to the Predecessor Group for the period from 1 January 2021 to the Listing Date has not been prepared by the REIT Manager and the financial results of the Predecessor Group for such period have neither been audited nor reviewed. In preparing the profit forecast, the REIT Manager has made certain assumptions with respect to the operations of SF REIT as set out below. To the extent that the REIT Manager has not identified events that have occurred or may occur in respect of the Predecessor Group during the period from 1 January 2021 to the Listing Date, the impact of such events on the future results of SF REIT has not been taken into account in the profit forecast.

Investors should note that for reasons stated herein, in arriving at the consolidated forecast results of SF REIT, it has been assumed that there will be no change in the price of the Units during the Profit Forecast Period. Should the market value of the Properties as of 31 December 2021 drop below or increase above the Appraised Value of the Properties as of 31 March 2021, the deficit or surplus, together with any associated deferred taxation, would be charged to the income statement. However, such deficit or surplus (after taking into account any associated deferred taxation), which is non-cash in nature, would not reduce or increase the Annual Distributable Income for the Profit Forecast Period. Investors should also note that the format and individual line items in SF REIT's future financial reports and statements may differ from those used for the purposes of the profit forecast and such line items should not be viewed as individual forecasts but form part of the bases and assumptions used in arriving at the distributable income for the Profit Forecast Period. The profit forecast should be read together with the letters set out in Appendix III headed "Letters in Relation to the Profit Forecast" and Appendix IV headed "Independent Property Valuer's Valuation Report" to this Offering Circular and the principal bases and assumptions set out below.

The profit forecast and calculations made in preparing the profit forecast have been reviewed by PricewaterhouseCoopers and the Sole Listing Agent. Please refer to Appendix III for the letters from PricewaterhouseCoopers and the Sole Listing Agent on the accounting policies adopted and the calculations made in arriving at the profit forecast. The REIT Manager and the Sole Listing Agent consider the assumptions made in arriving at the profit forecast to be reasonable.

SF REIT will incur expenses at the trust level (such as the REIT Manager's fees, the Trustee's fees and annual listing fees), which expenses were not incurred before the Listing Date (please refer to the section headed "Management's Discussion and Analysis of Future Operations" in this Offering Circular).

Having regard to the various factors noted above, investors should exercise caution when relying on the profit forecast generally and, in particular, (a) investors should exercise the highest caution in making any comparison, whether as to individual line items or overall financial performance, as between SF REIT's forecast income statement set forth below and any historical financial results of SF REIT and (b) investors should not treat any individual line item in SF REIT's forecast income statement as a forecast in its own right.

The following table sets forth the summarised Profit Forecast of SF REIT for the Profit Forecast Period.

	For the Profit Forecast Period (Forecast) *HK$'000*
Revenue	236,563
Property operating expenses	(49,514)
Net property income	187,049
General and administrative expenses	(4,797)
Fair value changes on investment properties	–
Net provision for/(reversal of) impairment losses for financial assets	–
Other income, net	488
REIT Manager's fee	(16,702)
Trustee's fee	(758)
Operating profit	**165,280**
Finance costs, net	(24,431)
Profit before income tax	**140,849**
Income tax expense	(28,448)
Profit for the Profit Forecast Period	**112,401**
Adjustments[(1)]	25,499
Distributable income for the Profit Forecast Period	**137,900**

	For the Profit Forecast Period	
	Minimum Offer Price	Maximum Offer Price
Offer price (HK$)	4.68	5.16
Assumed number of Units outstanding as of 31 December 2021 for the Profit Forecast Period (in thousand)	800,000	800,000
Forecast DPU (HK$)(1)	0.1724	0.1724
Annualised DPU (HK$)	0.2747	0.2747
Forecast annualised DPU yield(2)	5.9%	5.3%

Notes:

(1) Forecast DPU is calculated from profit for the Profit Forecast Period of HK$112,401,000 as adjusted by HK$960,000 in respect of difference between financial costs and interest payable in accordance with contractual obligations, HK$260,000 in respect of the upfront debt coordination fee amortisation, HK$599,000 in respect of depreciation and amortisation, HK$(415,000) in respect of amortisation of government grants, HK$9,832,000 in respect of deferred taxation on investment properties and HK$14,263,000 in respect of historical tax losses utilised during the Profit Forecast Period.

(2) The annualised forecast distribution yields are provided for illustrative purpose only. The annualised actual distribution yield may differ from the annualised forecast distribution yield based on the forecast DPU for the Profit Forecast Period. The annualised forecast distribution yields have been calculated with the reference to the Minimum Offer Price and Maximum Offer Price only. Such yield will vary for investors who purchase Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price or for investors who do not hold Units for the entire Profit Forecast Period.

No forecast of profits or DPU whatsoever is made in respect of any period ending after the Profit Forecast Period. None of SF REIT, the REIT Manager, the Trustee, the Underwriters, the Sole Listing Agent or any other person involved in the Global Offering guarantees the performance of SF REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units.

BASES AND ASSUMPTIONS

The REIT Manager has prepared the profit forecast and forecast DPU for the Profit Forecast Period based on the assumptions listed below. The REIT Manager considers these assumptions to be appropriate and reasonable as of the date of this Offering Circular. However, recipients of this Offering Circular and all prospective investors in the Units should consider the profit forecast and forecast DPU in the light of such assumptions and make their own assessment of the future performance of SF REIT.

REVENUE

Revenue mainly comprises of (i) rental income and (ii) management service income.

	For the Profit Forecast Period (Forecast) *HK$'000*
Rental income	202,214
Management service income	34,349
Total	**236,563**

Rental Income

Rental income represents (i) the amounts recognised from tenants under their tenancies for office, warehouse and other ancillary space and (ii) the income received from tenants relating to government rent in Hong Kong. In accordance with IFRS 16, the effect of any rent-free period granted is to be amortised over the term of the lease on a straight-line basis. Hence, rental income forecasted represents effective rent expected to be generated under all tenancies for the Forecast Period.

Rental income for the Profit Forecast Period is forecasted to be HK$202.2 million.

In projecting rental income for the Profit Forecast Period, the REIT Manager have made the following assumptions.

Leasing schedule assumption

The following table sets forth a breakdown of projected rental income attributable to the different categories of tenants for the Profit Forecast Period:

	Percentage of Rental Income from the Profit Forecast Period		
Categories of tenants	**Hong Kong Property**	**Foshan Property**	**Wuhu Property**
Existing lease commitments as of 31 December 2020 and committed renewals and new leases that will commence after 31 December 2020 which will remain for the Profit Forecast Period	95.2%	100%	99.5%
Expected renewals or new leases during the Profit Forecast Period	4.8%	–	0.5%

Occupancy rates assumption

The following table sets forth the historical and forecast occupancy rates for the Properties for the periods indicated. The REIT Manager have taken various factors into consideration when forecasting the occupancy rate, including the expiry profile during the Profit Forecast Period, the renewal of SF Leases by connected parties, the leases expected to be signed and effective prior to Listing, and expected lease renewal rate.

	Occupancy rates			
	As at 31 December 2019 (Actual)	**As at 31 December 2020** (Actual)	**As at Latest Practicable Date** (Actual)	**As at 31 December 2021** (Forecast)
Hong Kong Property	97.2%	93.6%	92.0%	92.6%
Foshan Property	N/A	100.0%	100.0%	100.0%
Wuhu Property	80.3%	98.4%	97.2%	97.6%

Rental rates assumption

The market rental rates are assumed to be the rental rates for expected renewed tenancies entered into during the Profit Forecast Period and are estimated with reference to: (i) the lease terms of the existing leases as at 31 December 2020, (ii) the renewal of the lease terms of the SF Leases effective on 1 May 2021, and (iii) the expected prevailing market rent rate of the properties as advised by the Independent Property Valuer.

The rent payable under the SF Leases is fixed for each year of the term, with a yearly increment of 3% to 5% depending on the location of the Property and the type of space rented. During the year ended 31 December 2020, historical Average Monthly Rental per Leased Square Metre for the Hong Kong Property, Foshan Property and Wuhu Property amounted to approximately HK$104.9, HK$36.8 and HK$26.9, respectively. The SF Leases which took effect on 1 May 2021 are at the prevailing market rate as advised by the Independent Property Valuer. As a result, the forecast Average Monthly Rental per Leased Square Metre for the Hong Kong Property, Foshan Property and Wuhu Property is expected to rise to approximately HK$139.3, HK$49.9 and HK$27.4, respectively, during the Profit Forecast Period. Accordingly, the Independent Property Valuer has confirmed the rent in respect of the SF Leases which will be subsisting as at the Listing Date are at market levels as at their respective agreement dates. In addition, expected renewals of leases during the Profit Forecast Period are also assumed to have a rental increment of 3% to 5% from the latest rental of previously expired contracts.

The forecast Average Monthly Rental per Leased Square Metre for the Profit Forecast Period, as compared to the historical Average Monthly Rental per Leased Square Metre for the year ended 31 December 2021, is expected to achieve a higher growth than aforementioned year-on-year growth. The SF Leases which took effect on 1 May 2021 are at the prevailing market rent rate as advised by the Independent Property Valuer.

The historical and forecast Average Monthly Rental per Leased Square Metre for the Properties are as follows:

	Year ended 31 December 2019 (Actual) *HK$*	**Year ended 31 December 2020** (Actual) *HK$*	**Profit Forecast Period** (Forecast) *HK$*
Hong Kong Property	108.3	104.9	139.3
Foshan Property	N/A	36.8	49.9
Wuhu Property	22.0	26.9	27.4

Management Service Income

Management service income represents property management fees recognized for property management services provided to the tenants and fees for utilities and other ancillary services. The REIT Manager has forecasted management service income to be HK$34.3 million for the Profit Forecast Period.

PROPERTY OPERATING EXPENSES

In preparation of the Profit Forecast, the REIT Manager has made an assessment on the operating expenses of SF REIT, comprising (i) property management fee, (ii) repair and maintenance, (iii) rates and government rent, (iv) other taxes, and (v) depreciation and amortisation.

Breakdown of property operating expenses is as follows:

	For the Profit Forecast Period (Forecast) *HK$'000*
Property management fee	26,859
Repair and maintenance	8,953
Rates and government rent	6,324
Other taxes	7,048
Depreciation and amortisation	330
Total	**49,514**

Property management fee

The REIT will outsource the non-sensitive day-to-day property management functions of all of our Properties to the relevant existing property managers as well as other service providers. Fees payable to the Hong Kong Property Manager is a fixed fee with reimbursements for costs and materials incurred on the property. Fees payable to Foshan Operations Manager and Wuhu Operations Manager are expected to be 2% of the sum of monthly rental income and property management fee income (inclusive of VAT).

Repair and maintenance

Repair and maintenance costs, including routine repair and maintenance (such as maintenance of heating, ventilation and air conditioning systems), building and building services expenditure, are estimated to be HK$9.0 million for the Profit Forecast Period.

Rates and government rent

Rates and government rent are payable on the Hong Kong Property. During the Profit Forecast Period, rates and government rent are projected to be HK$6.3 million. Government rent is 3% of the prevailing ratable value of the property.

Other taxes

Other taxes include stamp duty, urban construction tax, property tax and urban land use tax. Property tax payable is at a rate of the rental income received of the properties, and the urban land use tax is at a rate of the land occupation area. Stamp duty is based on the number of renewed and new leases that are expected to be made during the Profit Forecast Period.

Depreciation and amortisation

Depreciation and amortisation is calculated on a straight-line basis over the remaining useful life of the property and equipment and intangible assets (excluding investment properties). The estimated expenses for the Profit Forecast Period is HK$0.3 million.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are mainly ongoing listing compliance obligations such as annual listing fees, auditors' remuneration and other related costs. The estimated expenses for the Profit Forecast Period is HK$4.8 million.

FAIR VALUE CHANGES ON INVESTMENT PROPERTIES

The REIT Manager considers that fair value of the Properties will not materially change as of any future date during the Profit Forecast Period. Accordingly, the REIT Manager assumes that the fair value of the Properties as at the Listing Date and 31 December 2021 will be the same as the Appraised Value as at 31 March 2021. Hence, the Profit Forecast does not consider any change in fair value of investment properties.

OTHER INCOME

Other income mainly comprises government grants, amortisation of deferred government grants, compensation income from early lease termination and interest income. The REIT Manager expects amortisation of deferred government grants to remain constant and no early termination of tenancies in the Profit Forecast Period.

REIT MANAGER'S FEE

The REIT Manager's fee includes a Base Fee and a Variable Fee. Such expenses will be one of the additional cost items to be incurred post Listing. The Base Fee is 10% per annum of the Base Fee Distributable Income and the Variable Fee is 25% per annum of the difference in DPU in a financial year compared to the preceding financial year, multiplied by the weighted average number of Units in issue for such financial year. No Variable Fee shall accrue or be payable for the period from the Listing Date to 31 December 2021. REIT Manager's fee also includes certain reimbursements to the REIT Manager.

TRUSTEE'S FEE

The Trustee is entitled to receive a remuneration of 0.0150% to 0.0250% per annum of the value of the Deposited Property. In addition, SF REIT will also pay the Trustee a one-off acceptance fee of HK$180,000, which is included within listing expenses and will be settled before the Profit Forecast Period.

FINANCE COST

Finance cost mainly represents interest expenses arising from loans extended to our REIT. Before Listing, SF REIT will enter into the Offshore Facility Agreement and Onshore Facility Agreements, for the Term Loan of up to HK$2.159 billion, the Revolving Loan of up to HK$250 million and the Onshore Loans of principal amount of up to RMB220 million. The Offshore Loans and Onshore Loans will bear interest on a floating basis and fixed basis respectively. Please refer to the section headed "Material Agreements and Other Documents" of this Offering Circular.

INCOME TAX EXPENSES

Forecast income tax charge is based on the assumption that the prevailing tax regulations in which the SF REIT operates remain unchanged during the Profit Forecast Period. The REIT's profits in Hong Kong and the PRC are respectively subject to a statutory tax rate of 16.5% on the estimated assessable profit for the year and a standard EIT rate of 25%. Withholding tax expense for the Profit Forecast Period is calculated based on the tax rate of 10%.

ADJUSTMENTS

Under the Trust Deed, Distributable Income for the Profit Forecast Period is arrived at after taking into account the effects of the Adjustments from the consolidated audited net profit after tax of SF REIT. The Adjustments for the Profit Forecast Period is projected to be HK$25.5 million, which consists of:

- HK$960,000 in respect of difference between financial costs and interest payable in accordance with contractual obligations
- HK$260,000 in respect of the upfront debt coordination fee amortisation
- HK$599,000 in respect of depreciation and amortisation
- HK$(415,000) in respect of amortisation of government grants
- HK$9,832,000 in respect of deferred taxation on investment properties
- HK$14,263,000 in respect of historical tax losses utilised during the Profit Forecast Period

OTHER ASSUMPTIONS

The REIT Manager has made the following additional assumptions in preparing the profit forecast and forecast DPU for the Profit Forecast Period:

- There will be no material changes in the competitive landscape of logistic warehouses.
- There will be no material change in the key terms of the leases.
- There will be no material change in the credit period as generally allowed by our REIT's suppliers or business relationship between our customers, our suppliers and/or us.
- There will be no material changes in foreign exchange rate. The foreign exchange rate used in the Profit Forecast is HK$1.1884 to RMB1.00.
- There will be no material changes in interest rates or inflation rates from those currently prevailing.
- There will be no material changes in the taxation system and relevant tax bases or tax rates or duties applied to our REIT.
- There will be no material changes in the existing political, legal, social, fiscal, market or economic conditions in Hong Kong and the PRC.
- There will be no adverse publicity on our brands and/or services.
- Apart from the ongoing COVID-19 pandemic, our business will not be materially interrupted by any unforeseeable factors or any unforeseeable reasons that are beyond the control of the REIT Manager, including natural disasters, acts of war, terrorist acts, and political unrest etc.
- The impact of COVID-19 pandemic has been taken into account in determining the profit forecast for the Profit Forecast Period as management used the actual existing rental rates and leases entered into between the Property Companies and their tenants as at 31 December 2020 and the financial performance of the Predecessor Group for the year ended 31 December 2020 as the basis for forecasting the future profit of the SF REIT Group, which include the impact from the COVID-19 pandemic.
- Our REIT's operations, results and/or financial position will not be materially and adversely affected by any of the risk factors set out in the section headed "Risk Factors" in the Offering Circular.
- There will be no material changes to our REIT's corporate structure and its management.
- The REIT Manager has assumed no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the profit forecast for the period in the Profit Forecast Period. The accounting policies

expected to be adopted by SF REIT are set out in the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Policies to be Adopted by SF REIT" in this Offering Circular.

- There will be no change to the REIT Code.

- There will be no material change in the critical accounting estimates and judgments during the Profit Forecast Period.

- It is assumed that the profit forecast has been prepared taking into account the continuous involvement of Directors, key senior management and other necessary talents in the operations of the REIT Manager. In addition, it is assumed that the REIT Manager will be able to retain its key management and personnel during the Profit Forecast Period.

- The REIT Manager does not expect any extraordinary items to occur during the Profit Forecast Period.

- There will be no material change in the physical condition of the Properties.

- The expired tenancy will be renewed at the forecasted rental rate in accordance with the forecasted probability rate and all tenancies are enforceable and tenants will perform their obligations thereunder in accordance with their respective terms.

- There will be no change in the value of the Properties for the Profit Forecast Period. The REIT Manager assumed that the fair value of the investment properties will not materially change during the Profit Forecast Period.

- There will be no change in the number of Units outstanding during the Profit Forecast Period and up to the record date of distribution for such period.

- The SF REIT will distribute 100% of Annual Distributable Income to Unitholders and there is no reinvestment arrangement.

- The REIT manager's fee will be fully paid in cash during the Profit Forecast Period.

Although the REIT Manager believes the assumptions and estimates on which the profit forecast is made are reasonable, the profit forecast based on those assumptions could also be inaccurate due to the inherent uncertainties in these assumptions, and any or all of these assumptions and estimates could prove to be inaccurate.

SENSITIVITY ANALYSIS

The profit forecast and forecast distributions included in this Offering Circular are based on a number of assumptions that have been outlined above and are subject to a number of risks as outlined in the section headed "Risk Factors" in this Offering Circular. Prospective investors should be aware that future events cannot be predicted with any certainty and deviations from the figures forecasted in this Offering Circular are to be expected.

To assist prospective investors in assessing the impact of some but not all assumptions on the profit before tax, profit after tax, annualised profit per unit and annualised DPU, the following tables demonstrate the sensitivity of the profit before tax, profit after tax, annualised profit per unit and annualised DPU to certain changes in assumptions as set forth below. It should also be noted that annualised DPU as discussed below assumes that the REIT Manager will distribute to Unitholders 100% of the Annual Distributable Income for the Profit Forecast Period and will distribute no additional amounts out of capital. Accordingly, the sensitivity illustrations are based exclusively on movements of the specified items in Annual Distributable Income resulting from the circumstances considered, holding all other assumptions and metrics unchanged. The illustrations are not profit forecasts for the purposes of the relevant rules or any other purpose and accordingly have not been reported on by the reporting accountant.

Prospective investors should be aware that the sensitivity analysis is not intended to be exhaustive and is limited in scope in that not all principal assumptions or other assumptions which are relevant to the figures forecasted or projected in this Offering Circular have been examined or reviewed in this sensitivity analysis.

Care should be taken in interpreting the sensitivity analysis. The sensitivity analysis treats each movement in the variables in isolation and holds all other assumptions and metrics unchanged whereas, in practice, the movements could be interdependent and such movements may lead to changes in other metrics. The effects of movements may offset or compound each other. Accordingly, the effect on the profit forecast presented for each sensitivity analysis is not intended to indicate the likely range of outcomes with respect to each sensitivity analysis. No attempt is made to identify the cause of any potential variation, or to identify or quantify any consequential or related changes or variations in other financial statement line items.

Results of a sensitivity analysis on the impact of changes in revenue, operating expenses, cost of borrowing, and fair value changes of investment properties for the Profit Forecast Period are as follows:

	Profit/(loss) before tax	**Profit/(loss) after tax**	**Annualised profit/(loss) per unit**	**Annualised DPU**
	HK$'000	*HK$'000*	*HK$*	*HK$*
Original amount	140,849	112,401	0.2239	0.2747
Increase 5% in revenue	151,558	120,917	0.2409	0.2948
Decrease 5% in revenue	130,178	103,848	0.2069	0.2546
Increase 5% in operating expenses	138,605	110,633	0.2204	0.2706
Decrease 5% in operating expenses	143,097	114,166	0.2275	0.2788
Increase 0.5% in interest rate	135,159	108,208	0.2156	0.2639
Decrease 0.5% in interest rate	146,543	116,595	0.2323	0.2856
Increase 5% in fair value of investment properties	445,844	417,396	0.6052	0.2747
Decrease 5% in fair value of investment properties	(164,146)	(192,594)	(0.1573)	0.2747

	Profit/(loss) before tax	**Profit/(loss) before tax**	**Annualised profit/(loss) per unit**	**Annualised DPU**
	%	*%*	*%*	*%*
Original amount	–	–	–	–
Increase 5% in revenue	7.6%	7.6%	7.6%	7.3%
Decrease 5% in revenue	(7.6)%	(7.6)%	(7.6)%	(7.3)%
Increase 5% in operating expenses	(1.6)%	(1.6)%	(1.6)%	(1.5)%
Decrease 5% in operating expenses	1.6%	1.6%	1.6%	1.5%
Increase 0.5% in interest rate	(4.0)%	(3.7)%	(3.7)%	(3.9)%
Decrease 0.5% in interest rate	4.0%	3.7%	3.7%	3.9%
Increase 5% in fair value of investment properties	216.5%	271.3%	170.2%	–
Decrease 5% in fair value of investment properties	(216.5)%	(271.3)%	(170.2)%	–

None of SF REIT, SFH, SF Holding, SF Fengtai, the REIT Manager, the Trustee, the Underwriters, the Sole Listing Agent or any of their respective directors, agents, employees or advisors or any other persons involved in the Global Offering guarantees the performance of SF REIT, the repayment of capital or the payment of any (or any particular) return on the Units.

PERIOD FROM THE LISTING DATE TO 31 DECEMBER 2021

For the period from the Listing Date to 31 December 2021, the indicative DPU is HK$0.1724 per Unit assuming that no other new Units will be issued during the period. Such distributions will be paid to persons who are Unitholders as at the record date for such distribution by the end of May 2022.

The REIT Manager currently intends to distribute 100% of the Annual Distributable Income for the Profit Forecast Period. Accordingly, SF REIT expects that Unitholders will be paid, in the absence of unforeseen circumstances, total distributions of not less than approximately HK$137.9 million for the period from the Listing Date to 31 December 2021 representing an annualised indicative distribution yield of 5.9% based on the Minimum Offer Price (excluding other transaction costs) or 5.3% based on the Maximum Offer Price (excluding other transaction costs). Such annualised indicative distribution yield are provided for illustration purposes only, and the actual annualised distribution yield may differ from this illustration.

BASES AND ASSUMPTIONS

The above indicative distribution yields are calculated based on the Minimum Offer Price (excluding other transaction costs) and Maximum Offer Price (excluding other transaction costs). The distribution yield obtained by investors who purchase Units in the secondary market at a market price that differs from the Minimum Offer Price (excluding other transaction costs) or Maximum Offer Price (excluding other transaction costs), calculated using such secondary market purchase price, will accordingly differ from the indicative distribution yields stated above.

The Unaudited Pro Forma Financial Information (as defined in Appendix II to this Offering Circular) includes an unaudited pro forma statement of financial position of SF REIT as at 31 December 2020 based on the Maximum Offer Price and an unaudited pro forma statement of financial position of SF REIT as at 31 December 2020 based on the Minimum Offer Price.

The Unaudited Pro Forma Financial Information has been prepared based on the audited combined balance sheet of the Predecessor Group as at 31 December 2020 as set out in Appendix I to this Offering Circular, assuming (i) the completion of the Reorganisation, (ii) the completion of Asset Injection, including settlement of the assigned Golden Bauhinia Payables, (iii) the issuance of the Units pursuant to the Global Offering, (iv) the loan draw-down under the Term Loan of approximately HK$1,750.0 million for the acquisition of Golden Bauhinia, (v) the loan draw-down under the Onshore Loans of approximately HK$224.6 million for the settlement of non-trade related amounts due from/to related parties, and (vi) the settlement of the Golden Bauhinia Promissory Note, as if they had taken place on 31 December 2020.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and does not purport to represent what the assets and liabilities of SF REIT will actually be as at the Listing Date or to give a true picture of the financial position of SF REIT as at the Listing Date or any future date.

For further details, including unaudited pro forma statements of financial position of SF REIT as at 31 December 2020 based on the Maximum Offer Price and the Minimum Offer Price (for illustrative purposes only), please refer to Appendix II to this Offering Circular.

The Market Consultant was commissioned by the REIT Manager to prepare a report on the real estate market in the PRC, in particular the Greater Bay Area, the Yangtze River Delta and Hong Kong, and the following is primarily based on the Market Consultant Report.

The REIT Manager believes that the sources of certain information below are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The REIT Manager has no reason to believe that such information is false or misleading or there is omission of any other information which will render the information below to be false or misleading. The information has not been independently verified by SF Holding, the REIT Manager, the Trustee, the Sole Listing Agent or any other party involved in the Global Offering (except for the Market Consultant as appropriate in respect of the relevant parts of its report) and no representation is given as to its accuracy.

OVERVIEW ON THE MACRO ECONOMY OF THE PRC, GREATER BAY AREA, YANGTZE RIVER DELTA ECONOMIC REGION AND HONG KONG

Macro Economy of the PRC

Over the past 10 years, the PRC's economy has experienced significant growth, nominal GDP in the PRC reached RMB101,599 billion in 2020, with an average year-over-year real growth rate at approximately 5.7% during 2015-2020. In line with the rapid growth of economy, investment on major logistics industry[1] increased steadily, representing a 2015-2020 CAGR of 6.5%. According to the forecast of the International Monetary Fund, despite the impact of the COVID-19 pandemic in 2020, the PRC has shown remarkable economic recoveries since the third quarter of 2020, GDP in the PRC is anticipated to grow at a CAGR of approximately 7.6% during 2020-2025.

With the globalisation and rapid growth of the PRC's economy, import and export of the PRC increased at CAGRs of 6.4% and 4.9% respectively, from 2015 to 2020. In 2019, the PRC was the largest country in total exports and the second largest in total imports globally. As the PRC is facing a new environment of international trading, import and export are expected to have CAGRs of 7.2% and 6.9% respectively during the period of 2020-2025 according to the Economist Intelligence Unit.

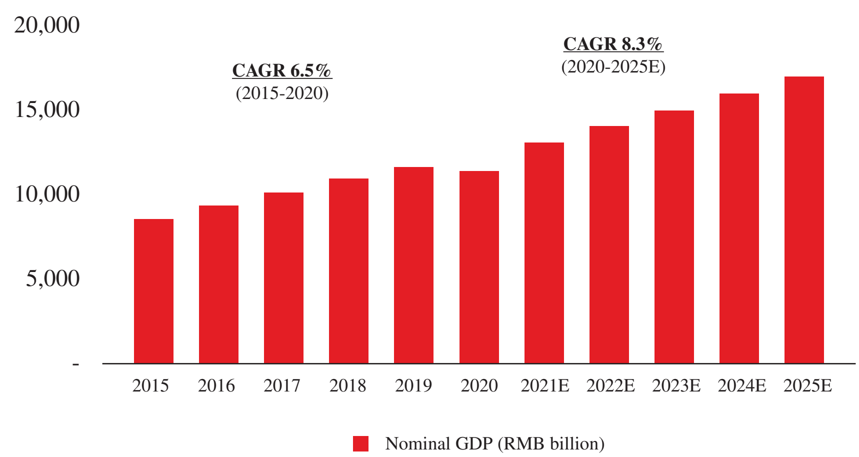
For demographic, the PRC had its total population increased from approximately 1,375 million in 2015 to approximately 1,402 million in 2020, with a 2015-2020 CAGR of 0.4%, and is expected to have a total population in 1,412 million, with a 2020-2025 CAGR of approximately 0.1%.

1 Major logistics industry includes industries of transportation, warehousing and mail.

Macro Economy of Greater Bay Area

Greater Bay Area consists of two special administrative regions of the PRC as well as nine mainland cities in the Pearl River Delta, including Foshan and other major cities in Guangdong province. At the end of 2020, the Greater Bay Area achieved a nominal GDP of approximately RMB11,407.6 billion with 2015-2020 CAGR of approximately 5.9%. Nominal GDP of Greater Bay Area is expected to grow at a CAGR of around 8.3% during 2020-2025. From 2015 to 2020, the total population of Greater Bay Area increased from approximately 66.6 million to approximately 74.1 million with a CAGR of 2.1%, and it is estimated that the number will further grow to be around 81.8 million in 2025 with a 2020-2025 CAGR of 2.0%. The table below sets out selected economic statistics of Greater Bay Area for the years indicated.

Selected economic statistics of Greater Bay Area (2015-2025)



Source: Bureau of each city, Wind, EIU, JLL

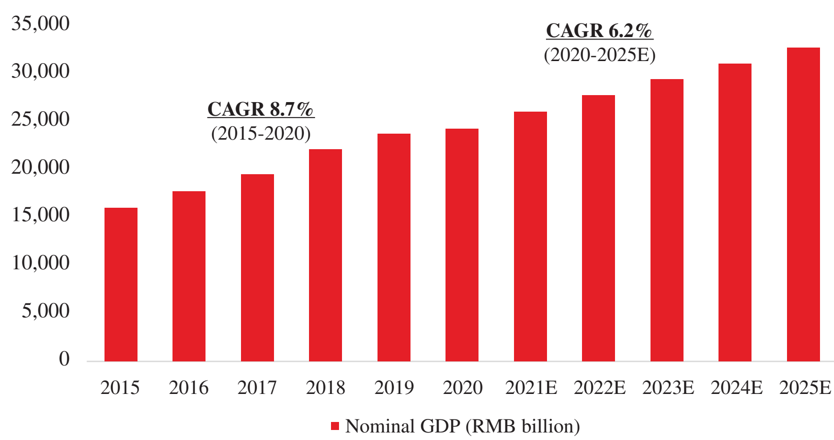
In 2018, the 13th National People's Congress (十三屆全國人民代表大會) promoted accelerating the construction of the Greater Bay Area. Recent landmark infrastructure such as the Shenzhen-Zhongshan Aisle (深中通道), the Hong Kong-Zhuhai-Macau Bridge (港珠澳大橋), the Huizhou Airport and the Pearl River Delta International Airport (珠三角新幹線機場) would further promote the economic synergy and industrial upgrade of the urban cluster as well as reduce the travelling time in the Greater Bay Area. In February 2019, the State Council officially published the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區發展規劃綱要), which highlighted the mission on improving the interconnection within Greater Bay Area through initiatives including enhancing the global logistics position of Hong Kong, constructing the cluster of world-class airports, improving the land transport system and so on. It raised the investment confidence and improved the development prospects of the area. Leverage on the existing infrastructure, the Greater Bay Area aims to achieve integration of the cities into a "one-hour living circle", thus the logistics demand in the region is expected to increase.

Macro Economy of Yangtze River Delta Economic Region

The Yangtze River Delta Economic Region is located along the east coast of the PRC and is one of the most densely populated areas in the PRC. In 2016, the State Council issued the Development Plan of Urban Agglomeration in the Yangtze River Delta (長江三角洲城市群發展規劃), containing 26 cities in Shanghai, Jiangsu, Zhejiang and Anhui provinces. In 2018, the Regional Integrated Development of the Yangtze River Delta (長江三角洲區域壹體化發展) rose to become a national strategy. In 2019, the State Council further introduced the Outline of Regional Integrated Development of the Yangtze River Delta (長江三角洲區域壹體化發展規劃綱要), pursuant to which Wuhu city is one of 27 core areas in the region.

As one of the essential strategic megalopolises, Yangtze River Delta Economic Region has enjoyed the most dynamic economic growth. In addition, Yangtze River Delta Economic Region's nominal GDP grew to RMB24,290.0 billion at the end of 2020 with a 2015-2020 CAGR of approximately 8.7%, sharing 23.9% of total nominal GDP of the PRC. Nominal GDP of Yangtze River Delta Economic Region is expected to grow at a CAGR of around 6.2% during 2020-2025 according to The Economist Intelligence Unit. The table below sets out selected economic statistics of Yangtze River Delta Economic Region for the years indicated. From 2015 to 2020, the total population of Yangtze River Delta increased from approximately 221.3 million to approximately 227.3 million with a CAGR of 0.5%, and it is estimated that the number will further grow to be around 229.1 million in 2025 with a 2020-2025 CAGR of 0.2%.

Selected economic statistics of Yangtze River Delta Economic Region (2015-2025)

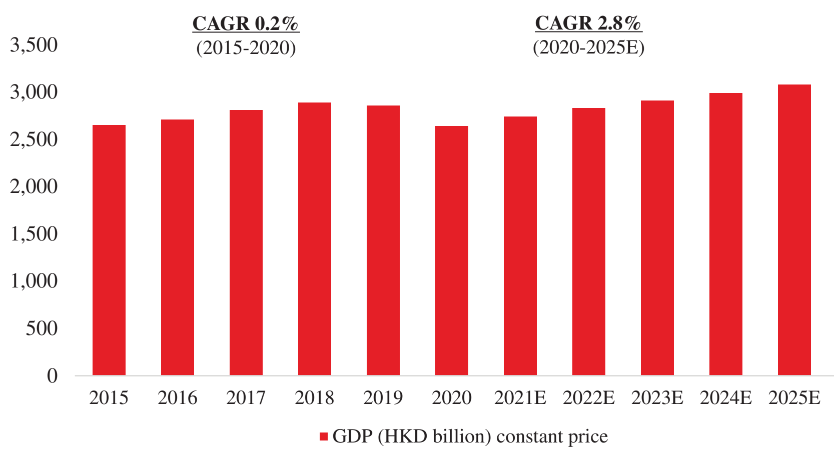


Source: Bureau of each city, Wind, EIU, JLL

Macro Economy of Hong Kong

In 2020, Hong Kong's GDP reached approximately HKD2,627.7 billion at constant price with CAGR of approximately 0.2% from 2015 to 2020. Hong Kong relies heavily on the increasing global growth momentum and an upbeat economic sentiment. Considering the global economic slowdown and the threat of the spread of the COVID-19 pandemic, Hong Kong's GDP is estimated to achieve a CAGR of approximately 2.8% for 2020-2025. The chart below sets out selected economic statistics of Hong Kong from 2015 to 2025.

Selected economic statistics of Hong Kong (2015-2025)



Source: Census and Statistics Department, International Monetary Fund, Wind, EIU, JLL

From 2015 to 2020, total import and total export increased at CAGRs of 1.7% and 1.1% respectively. Hong Kong's import and export are expected to grow at CAGRs of approximately 3.4% and 4.1% respectively from 2020 to 2025, once Hong Kong's external merchandise trade is resumed to normal.

For demographic, Hong Kong's year-end population rose from approximately 7.3 million in 2015 to approximately 7.5 million in 2020, with a 2015-2020 CAGR of approximately 0.5%. It is anticipated that the number will grow to approximately 7.8 million in 2025, with a 2020-2025 CAGR of approximately 0.8%.

OVERVIEW OF THE LOGISTIC INDUSTRY IN THE PRC AND HONG KONG

Logistics Industry of the PRC

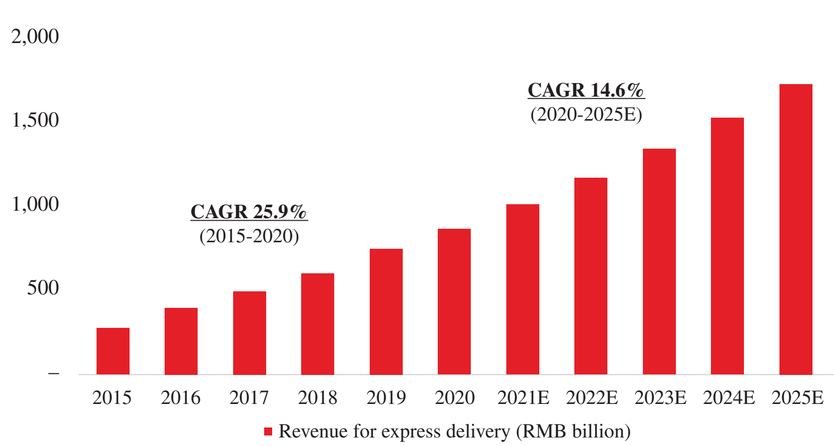
Overall Performance

According to the Logistics Performance Index Report published by World Bank, the PRC has set up numerous national strategies or advancing logistics, which demonstrated determinations from the PRC's government on developing the industry. Significant investments on logistics infrastructure played a key role on promoting the overall rank. Currently, the PRC is the leader in the top-performing upper-middle-income economies. The PRC has a large government-related Federation of Logistics and Purchasing, which could provide a stable support to the development of the PRC's logistics industry in the long run.

Express Delivery Logistics Market

Express delivery has evolved to be one of the most important fields of logistics industry because of its crucial functions on supporting a range of industries, especially e-commerce. In 2017, the State Post Bureau published the 13th Five-Year Development Plan for Express Delivery Industry (快遞業發展"十三五"規劃), which proposed the service to cover the whole area of the PRC and to connect with the globe by the end of 2020, with the business volume estimated to reach around 70 billion pieces. During 2015-2020, express delivery recorded the business revenue growth at a CAGR of approximately 25.9%. The market has converted from extensive growth to healthy expansion. Considering the relatively stable growth of third-party logistics and the increasing proportion of express delivery, it is estimated that the total revenue of express delivery would increase steadily with 2020-2025 CAGR of approximately 14.6%. The chart below sets out the revenue for express delivery in the PRC from 2015-2025.

Revenue for express delivery in the PRC (2015-2025)



Source: China Federation of Logistics and Purchasing, State Post Bureau, National Bureau of Statistics, Wind, JLL

The table below sets out the ranking of top 5 listed express delivery companies. Based on this ranking, SFH is a leading integrated logistics services provider in China. Founded in 1993, SFH is one of the earliest express delivery companies in China and has grown into a leading logistics player with the best performance on time-definite parcel service in 2020, according to the State Post Bureau. Specifically, SFH is the largest express delivery company in the PRC in terms of total revenue in 2020.

Top 5 express delivery companies in terms of the total revenue in the PRC in 2020

Ranking	Company	Total revenue *(RMB billion)*
1	**SF Express**	**154.0**
2	Company A	35.4
3	Company B	34.8
4	Company C	30.0
5	Company D	28.3

Note: Company names for identification only

Source: State Post Bureau of the PRC, JLL

Furthermore, SFH is also the 4th largest postal and express delivery company in the globe in 2020.

Top 5 postal and express delivery companies in terms of the total revenue in the globe in 2020

Ranking	Company	Total revenue *(RMB billion)*
1	Company E	552.6
2	Company F	533.1
3	Company G	451.9
4	**SF Express**	**154.0**
5	Company H	105.8

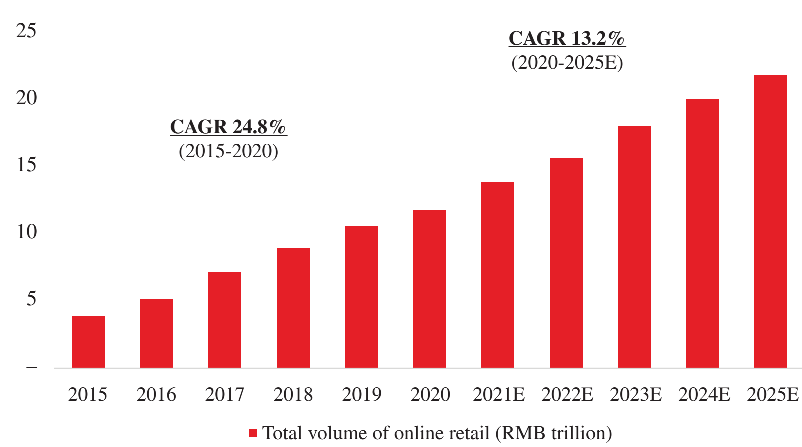
Note: Company names for identification only

Source: Wind, JLL

E-commerce Logistics Market

With over 900 million internet users, the PRC is the fast-growing e-commerce market in the world. The total volume of e-commerce saw a year-on-year growth of 11.3% in 2020. E-commerce sale of the PRC was the largest globally, accounted for around 44.9% of the world's e-commerce sales and exceeded more than twice of those of the US in 2019. Success of e-commerce in the PRC is primarily attributable to the strong production capacity, the growth of middle-class group, the comprehensive logistics infrastructure and the mature online payment system. During 2015-2020, e-commerce grew rapidly at a CAGR of 24.8%. Outbreak of COVID-19 pandemic in 2020 inevitably affected various industries, on the other hand benefited e-commerce industry as consumer increased online purchasing for grocery goods, fresh food etc. Considering a relatively large volume base in 2020 comparing with 2015, the volume of e-commerce is estimated to increase steadily with 2020-2025 CAGR of 13.2%. The chart below sets out the market size of e-commerce in the PRC from 2015 to 2025.

Market size of e-commerce* in the PRC (2015-2025)



*Note: * the market size is represented by total volume of online retail*

Source: Wind, JLL

Logistics Industry of Hong Kong

Overall Performance

With its strategic location in Asia, Hong Kong is able to capture both growing domestic inbound and international outbound trade demands. According to the Hong Kong Trade Development Council in 2019, Hong Kong has the busiest airport for cargo (since 2006), the eighth busiest container port and the fourth largest shipping register in the world. According to the Logistics Performance Index Report published by World Bank, Hong Kong's logistics industry has an aggregate ranking of top ten during 2012-2018. International shipment was the largest advantage of Hong Kong with an average ranking of third place during 2012-2018.

Air Freight Logistics Market

Since 2010, Hong Kong has the highest air cargo traffic in the world for consecutive 10 years. Based on the statistics published by Hong Kong Maritime and Port Board, the total air cargo traffic of Hong Kong increased at a CAGR of 1.7% from 4.13 million tonnes to 4.81 million tonnes from 2010 to 2019, accounted for around 7.7% of the global air cargo market. This growth was mainly driven by the increasing air cargo import and re-export volume of products manufactured in the PRC as the air trade with the PRC occupied 17.8% of total air trade volume of Hong Kong, and the rising import and re-export activity stimulated by the initial development of cross-border e-commerce industry in the PRC. From 2010 to 2019, the air cargo traffic of Hong Kong rose with a CAGR of approximately 1.8%.

2019 Cities rank of air cargo traffic

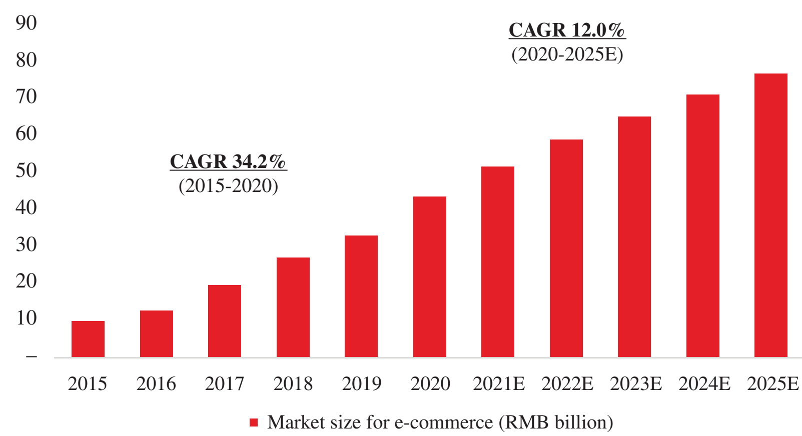
Rank	City	Country	Air Cargo Traffic *(million tonnes)*
1	**Hong Kong**	**PRC**	**4.81**
2	Memphis	USA	4.32
3	Shanghai	PRC	3.63
4	Louisville	USA	2.79
5	Incheon	South Korea	2.76

Source: Airports Council International

E-commerce Logistics Market

According to Statista, e-commerce sales as a proportion of total retail sales (e-commerce penetration) will steadily increase worldwide year-on-year. Hong Kong encounters plenty opportunities in e-commerce industry, benefiting from its strategic location in APAC. Market size in Hong Kong for e-commerce grew at a CAGR of approximately 34.2% during 2015-2020. Considering a relatively large volume base in 2020 comparing with 2015, market size of Hong Kong is expected to rise steadily to approximately RMB76.4 billion in 2025, representing a 2020-2025 CAGR of 12.0%. The chart below sets out market size for e-commerce in Hong Kong from 2015 to 2025.

Market size for e-commerce in Hong Kong (2015-2025)



Source: Statista, JLL

As a gateway to the PRC, Hong Kong is strategically important for e-commerce brands from both the PRC and abroad to expand or strengthen their global market positions. Currently, e-commerce leaders in the PRC are sparing efforts on accessing Hong Kong's market and further to overseas market. Specifically, Hong Kong is the first station for the PRC e-commerce giants to extend their business from domestic-concentrated to cross-border. For export, these e-commerce players are keen to have business presence in Hong Kong which provides them with an excellent international connectivity. For import, Chinese consumers recently have stronger demands on buying global commodities that most e-commerce companies have been capitalising on the trend. As such, Hong Kong is crucial for transporting global commodities into the mainland at a relatively competitive price.

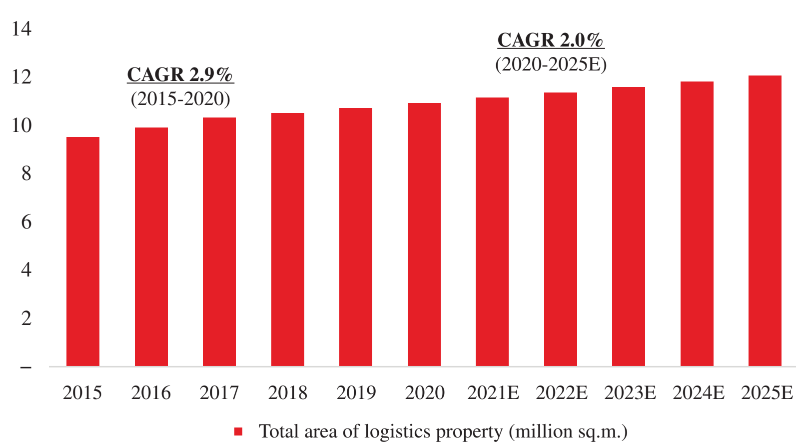
OVERVIEW OF THE LOGISTICS PROPERTY MARKET IN THE PRC AND HONG KONG

Logistics Property Market of the PRC

Overall logistics property market in the PRC has seen significant changes in recent years. Before 2015, the rapid expansion of the market was mainly because of the shortage of logistics property across the nation and resulted in a large size yet fragmented market. In recent years, the market has found several new drivers such as industrial concentration, demand from new retail (新零售), supply chain consolidation and internet propelling. In general, logistics property market in the PRC has few barriers with high degree of marketisation and fierce competition. Logistics property developers and service providers are the main force for the multidimensional, networked and large-scaling development of logistics property. Benefited from the prosperity of e-commerce, developers have expanded their footprint from tier-1 cities to lower-tier cities.

As for the market size, the total area of logistics property in the PRC rose with a CAGR of around 2.9% from 2015-2020. Before the emergence of new drivers, it is expected that the market will grow in a mild but steady pace at a 2020-2025 CAGR of approximately 2.0%. The chart below sets out total area of logistics property in the PRC from 2015 to 2025.

Total area of logistics property* in the PRC (2015-2025)



*Note: * exclude those with special storage such as items that are susceptible to pollution, hazardous article, etc..*

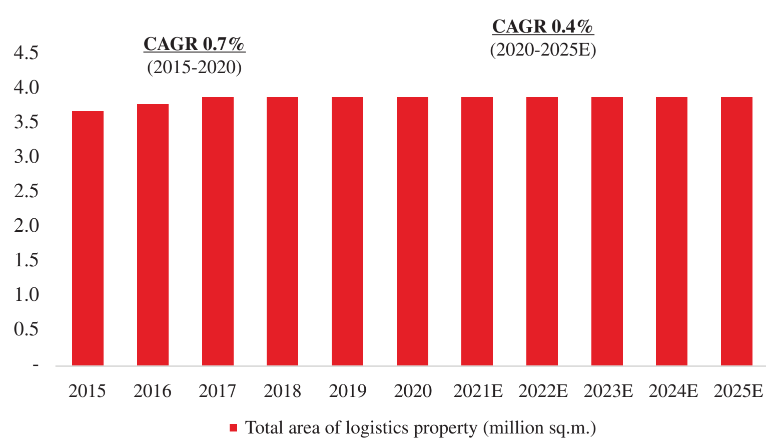
Source: China Association of Warehousing and Distribution, JLL

Logistics Property Market of Hong Kong

Hong Kong logistics properties are scatteredly located in industrial-usage lands or suburban areas. Based on the statistics from Rating and Valuation Department, over 80% of the stock was in the New Territories, with predominance in Kwai Tsing, Sha Tin and Tsuen Wan which accounted for 69% of the total spaces. Drivers for Hong Kong logistics property market mainly come from (i) strong storage demand well supported by global trading activities, (ii) explosive growth of international e-commerce which is driving suppliers to locate their sourcing, goods storage, warehousing management and distribution decisions in Hong Kong, and (iii) upgrading aged logistics property projects to fulfil the increasing needs from modern logistics operator.

Total area of logistics property in Hong Kong rose with a CAGR of around 0.7% from 2015-2020. Mainly because of the lack of land resource, it is expected that the total area of logistics property in Hong Kong will grow mildly with a 2020-2025 CAGR of approximately 0.4%. The chart below sets out the total area of the logistics property in Hong Kong from 2015 to 2025.

Total area of logistics property in Hong Kong (2015-2025)

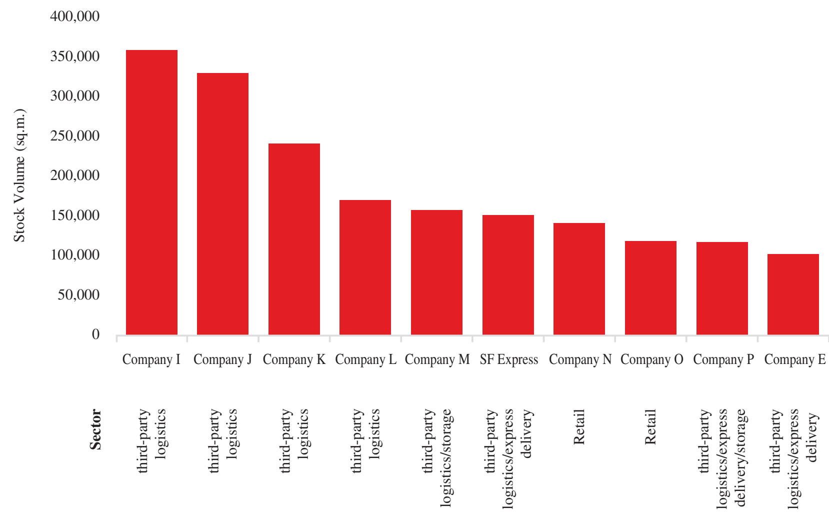


Note: Statistics includes private storage (including premises designed or adapted for use as godowns, or cold stores, and ancillary offices) only

Source: Rating and Valuation Department, JLL

The industrial concentration degree of the transportation, storage and courier services sector is low in Hong Kong. According to the Key Statistics from the Census and Statistics Department released in 2020, there were around 26,000 related companies in this sector by the end of 2019. Moreover, it can be observed that key tenants of the local logistics property market are dominated by domestic logistics companies. As at the end of 2020, JLL's figures showed that top 10 occupiers only accounted 11.3% of the market shares, among which SF Express was the sixth largest logistics property occupier by stock volume.

Key logistics property occupiers by stock volume in Hong Kong (2020)

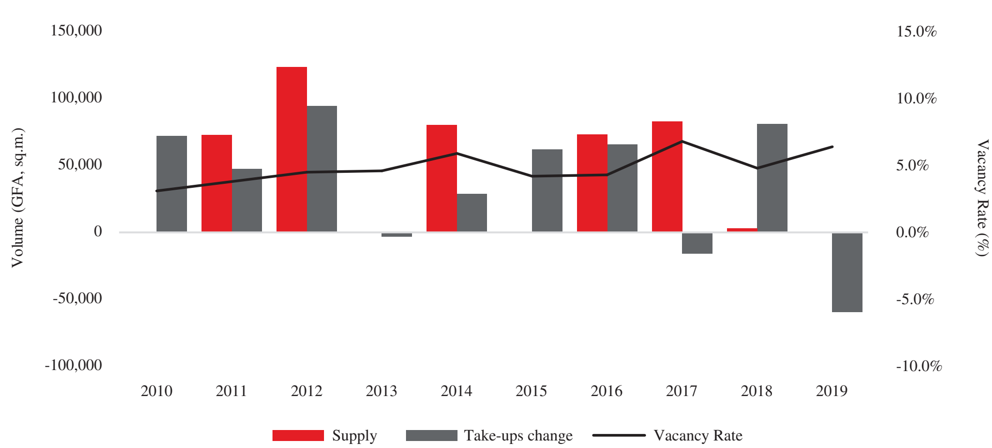


Note: JLL estimates as of the end of 2020. Stock occupation includes those that are modern and non-modern logistics properties.

Source: JLL

Rating and Valuation Department of Hong Kong categorised industrial premises into flatted factories, industrial/office, specialised factories and private storage. Specifically, private storage comprises premises designed or adapted for use as godowns, cold stores, ancillary offices and those located within container terminals. By comparison, we adopted private storage to represent the overall logistics property. Following the global financial crisis, market sentiment recovered in 2010. Boosted by the e-commerce sector and retailing industry, the vacancy rate fluctuated around 5.0% despite supply influx afterwards. As of the end of 2019, the vacancy rate bounced to 6.4%.

Overall logistics property vacancy rate in Hong Kong (2010-2019)



Source: Rating and Valuation Department

Modern Logistics Property Submarket

In terms of building characteristics and operating concept, the logistics property market can be divided into segments of modern logistics property and non-modern logistics property. Tenants for logistics properties can typically have lease terms ranging from 1 to 10 years, which can be longer than typical office building leases that range from 1 to 5 years. Longer lease nature brings more "visibility" to future rental income. Before leasing the property, tenants for logistics properties have generally done market studies regarding sites' connectivity, proximity to expressways and etc. Moreover, tenants for logistics properties, especially those with large rental area and customised requirements, generally require high initial setup and moving costs before officially using the properties. As such, this may result in longer lease terms, and tenants for logistics properties, therefore, appear to be stickier from such perspectives.

Modern logistics property is in majority built recently with a high level of modernisation and equipped with ancillary facilities. It can be used for multiple function of storage and to fulfil higher standard on logistics efficiency raised by modern logistics. Thus, modern logistics property is able to offer higher rental level than the non-modern one and its tenants are commonly with large-size storage amount. Modern logistics property developer might merge with and acquire such non-modern logistics property as a way of obtaining industrial lands.

In terms of definition of modern logistics property between the PRC and Hong Kong, modern logistics properties in both regions have warehousing as the primary function and at the same time carry out regular operations of logistics mainly counting on their storage facilities. The table below lists key characteristics that are usually considered when assessing modern logistics properties and non-modern logistics properties in the PRC. One can be regarded as modern logistics property if possessing most of factors.

Factors	Modern Logistics Property	Non-Modern Logistics Property
Location	Commonly seen with advantageous location and good accessibility.	Subjects to the rent affordability so may locates with less accessibility.
Structure	Single storey: High-quality concrete/steel structure Multi-storey: Concrete/steel structure with ramp/elevator	Masonry-concrete structure, masonry-timber structure, and reinforced concrete structure are often used.
Gross floor area	≥8,000sq.m.	Various sizes (≥4,000sq.m.)

Factors	Modern Logistics Property	Non-Modern Logistics Property
Facilities	Commonly seen with separated and multitype buildings to fulfil daily operations such as office building, dormitory, canteen, etc.	Non-standard
Service capabilities	Able to provide more convenient and value-added services.	Limited with basic logistics services.
Net ceiling height	Single storey: ≥9m Multi-storey: 1st and 2nd floor ≥9m, 3rd floor ≥7m	1st floor: ≥6m, other floor: ≥4.5m
Loading capacity	1st floor: ≥3ton/sq.m., 2nd floor: ≥3ton/sq.m.	1st floor: ≥2ton/sq.m., other floor: ≥0.6ton/sq.m.
Column span	≥11m	≥5m
Fire protection	Sprinkler is available, which is automatic if the ambient temperature crosses a given threshold.	Typically no facilities besides a fire hydrant available.
Fire Compartment	Available to enclose an area of a building with fire-resistant barriers	No fire compartment is available inside the building
Floor coating	Hardened concrete floor coating	Non-standard or even plain fill
Parking lots	Sufficient parking area	Non-standard
Monitoring System	24-hour security	Non-standard
Ventilation System	Available inside the building to control the inner air quality.	Non-standard
Other Equipment	Sufficient and reliable power supply, Storm water collection, wind turbine, solar thermal panel and telecom supply are all available.	Non-standard

Source: JLL

The table below lists key characteristics that are usually considered when assessing modern logistics properties and non-modern logistics properties in Hong Kong. One can be regarded as modern logistics property if possessing most of factors.

Factors	Modern Logistics Property	Non-Modern Logistics Property
Location	Commonly seen with advantageous location and good accessibility.	Subjects to the rent affordability so may locates with less accessibility.
Structure	Reinforced concrete structure, mostly with ramp-up access	Non-standard
Gross floor area	≥5,000sq.m.	Non-standard
Net ceiling height	At least ≥4.5m or suitable for three-pallet storage	Non-standard
Loading capacity	≥1.2ton/sq.m.	≥0.92ton/sq.m.
Column span	≥11m	Non-standard
Floor coating	Hardened concrete floor coating	Non-standard
Parking lots	Sufficient parking area	Non-standard
Monitoring System	24-hour security	Non-standard
Loading platform	With loading docks	Non-standard
Service capabilities	Able to provide more convenient and value-added services.	Limited with basic logistics services.

Source: JLL

MODERN LOGISTICS PROPERTY MARKET IN HONG KONG

Overview of Hong Kong

Growth drivers for Hong Kong's logistics property market can be summarised into three key aspects, (i) strategic location by connecting multiple business markets and urban centres across the globe, (ii) world-class infrastructure and transportation capability[1], and (iii) regional logistics hub benefiting from the prosperity of logistics market by valuing and embracing free trade.

Kwai Tsing district possesses the strategic position in the territory. The district has a number of major infrastructures, such as the Tsing Ma Bridge that links to the airport, and the Container Terminal 9 that connects to other busiest ports in the world.

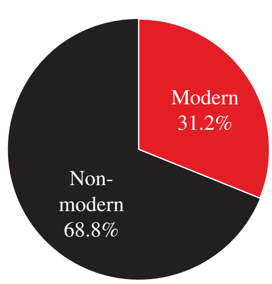
Market Performance of Hong Kong

Stock

According to the Land Utilisation in Hong Kong 2019 issued by the Planning Department, overall size of the logistics property and open storage reached approximately GFA 16.7 million sq.m. by the end of 2019. The modern logistics property stock[2] tracked by JLL achieved GFA 5.2 million sq.m.. With no new completion during the first half of 2020, the modern stock accounted for only approximately 31.2% of the total stock as at the end of 2020.

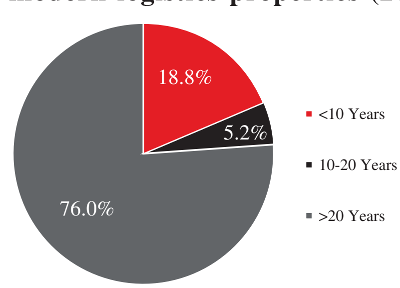
Approximately 76.0% of the existing modern stock of Hong Kong are more than 20 years of age at the end of 2020. To catch up with the rising demand, modern logistics properties have been developed and managed by renowned market players in recent years. For instance, just 18.8% of the stock were developed in the past decade. The charts below set out stock by category and age profile of Hong Kong modern logistics property market at the end of 2020.

Stock by Category (2020)



Source: Planning Department, JLL

Stock by Age Profile of modern logistics properties (2020)



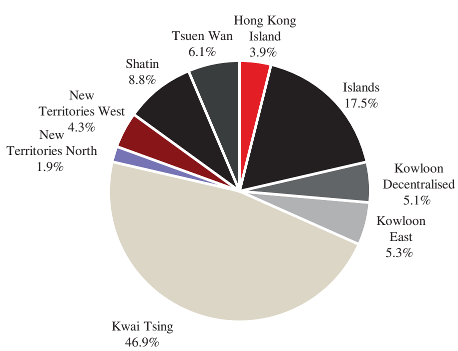
Source: JLL

1 According to the 2019 Global Competitiveness Report issued by the World Economic Forum, Hong Kong ranked the 3rd in terms of infrastructure competitiveness (基建競爭力) in the world. Currently, Hong Kong possesses renowned infrastructure including international airport, container terminals, express rail link (Hong Kong section), Hong Kong-Zhuhai-Macau Bridge, etc.

2 The modern stock tracked by JLL is not a subset of the total stock of the Rating and Valuation Department. It means that according to JLL's standards, flatted factories or other properties that upgraded to the high-grade warehouse are also included in JLL's in-house database.

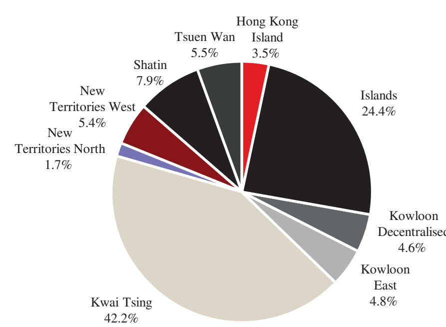
Modern logistics property stock was shifting towards Kwai Tsing for the last five years with no new completions in other regions. Compared to five years ago, the stock of Kwai Tsing rose 13% from approximately GFA 2.2 million sq.m. as at the end of 2015, to approximately 2.4 million sq.m. as at the end of 2020. Such shift was further promoted by the convenience of surrounding mature infrastructures. By the end of 2020, 85.6% of the total modern stock was situated in the New Territories district (including Islands, Tsuen Wan, Shatin, New Territories West, New Territories North and Kwai Tsing), and Kwai Tsing was dominating in terms of stock volume and accounted for 46.9% of the total modern stock in 2020. By 2025, the leading position of Kwai Tsing is expected to be remained, while the share of the Islands will be increased given upon completion of a mega size modern logistics property project in Kwo Lo Wan. The charts below set out stock by district of Hong Kong modern logistics property market at the end of 2020 and by 2025.

Stock by District of Modern logistics properties (2020)



Source: JLL

Stock by District of Modern logistics properties (2025)



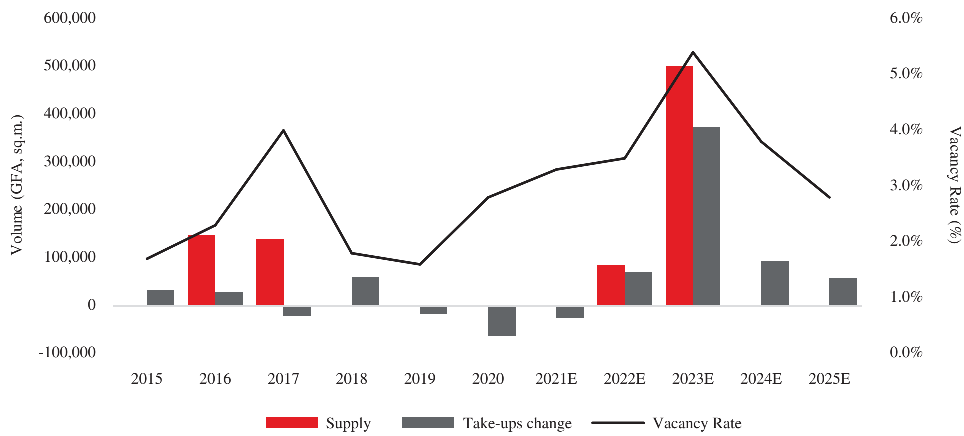
Source: JLL

Supply and Vacancy Rate

Modern logistics property supply was limited as only a minimal number of logistics properties entered into the market over the past five years.

Vacancy rate of the modern logistics property was on a downward trend since 2017 and started to rebound from a historical low level of 1.3% in 3Q2019 to 2.9% in 4Q2020. Approximately 102,000 sq.m. of marketable space is expected to return to the leasing market upon lease expiry in 2021, as some domestic retailers and import/exporters are looking to reduce their logistics footprints. There would be no modern logistics property in the pipeline expected for completion before 2022 and the market is anticipated to see a new supply in 2023. The chart below sets out supply and vacancy rate of Hong Kong modern logistics property market from 2015 to 2025.

Modern logistics property supply and vacancy rate (2015-2025)

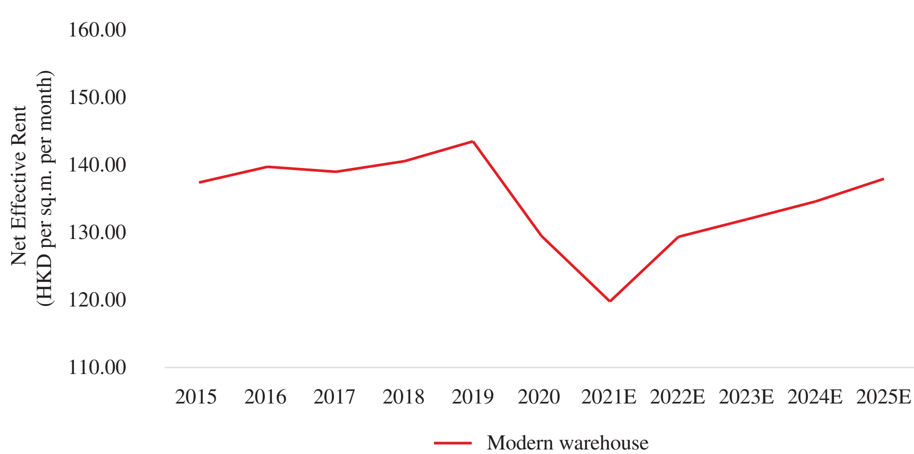


Source: JLL

Rent

In Hong Kong, the net effective rent of modern logistics property grew stably from 2015 to early 2019. In mid-to-long term, limited supply and strong demand will rebound which will be the key drivers for rental growth. Modern logistics property commanded a 11.8% premium over the rental in non-modern logistics property in 2020. The rental gap may further widen as modern logistics property could enjoy a higher rental growth once demand for high-quality logistics property starts to pick up. The chart below sets out the rent performance of Hong Kong modern logistics property market during 2015-2025.

Modern Logistics Property Net Effective Rent (2015-2025)



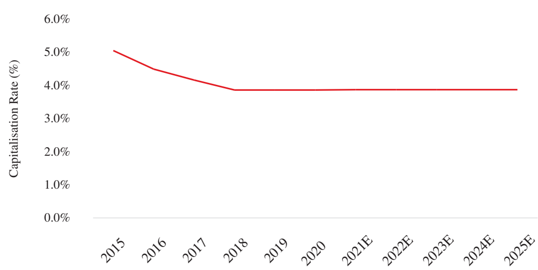
Source: JLL

Capitalisation Rate and Capital Value

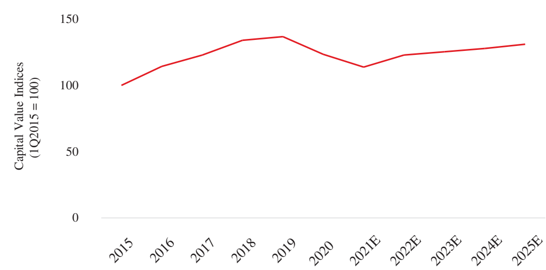
Growing maturity of the local logistics property market has lowered both the investment risk and the required yield. As a result, capitalisation rate for modern stock has been compressing in recent years. Moreover, with no major en-bloc modern logistics property being transacted since 2018, the capitalisation rate has remained stable at 3.5%-4.5%.

Capital value index of modern logistics property has been on a rising trend during the last five years because of the rising rent and compressed capitalisation rate. The indices are anticipated to bottom out in 2021 with the ease of the PRC-U.S. tension and COVID-19 pandemic. The charts below set out the capitalisation rate and capital value index of Hong Kong modern logistics property market from 2015 to 2025.

Capitalisation rate of Modern logistics properties (2015-2025)



Capital value index of Modern logistics properties (2015-2025)



Source: JLL

MODERN LOGISTICS PROPERTY MARKET IN FOSHAN CITY

Overview of Foshan city

Foshan covers 3,848 km^2 and has an urban population of around 8.2 million in 2019. According to the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, Foshan is planned to be a key hub on driving the development of Greater Bay Area. From 2015 to 2020, the city saw stable GDP increased at a CAGR of approximately 7.1% and it is expected to reach RMB1,630.0 billion by 2025 with a 2020-2025 CAGR of approximately 7.6%.

Drivers for Foshan's logistics industry primarily lie on (i) its close proximity to Guangzhou, a key tier-1 city and the central city in Greater Bay Area, which enhances the construction of inter-city infrastructure and the synergy of logistics facilities[1], (ii) its solid

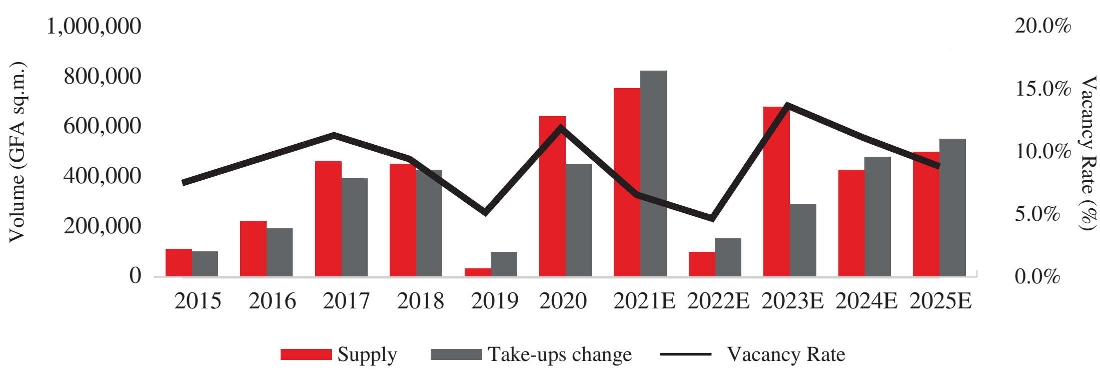
1 Foshan is geographical close to Guangzhou with border contiguous on the east. According to the 13th Five-Year Plan for Integrated Development of Guangzhou and Foshan (2016-2020) (廣佛同城化"十三五"發展規劃(2016-2020年)), Foshan is supposed to use its competitive advantages in manufacture and logistics areas along with the cooperation framework of Guangzhou-Foshan.

industrial foundation and the position as the manufacture centre of west Greater Bay Area, with famous private industrial giants and vital industries providing long-lasting demands for local logistics facilities[1], (iii) strategic importance for the logistics industry nationwide[2].

Market Performance of Foshan city

The total stock of Foshan logistics market occupied over 2.2 million sq.m. in 4Q2020, the amount of which had lifted 6 times than that in 2015. Principal reasons for the rapid growth include the mass infrastructure developments, logistics land-use shortage in Guangzhou as well as growth of rental demand. Based on logistics property land transactions and long-term logistics planning, aggregate logistics property supply during 2021-2025 is expected to be over 2 million sq.m.. The chart below sets out supply and vacancy rate of Foshan modern logistics property market from 2015 to 2025.

Modern logistics property supply and vacancy rate (2015-2025)



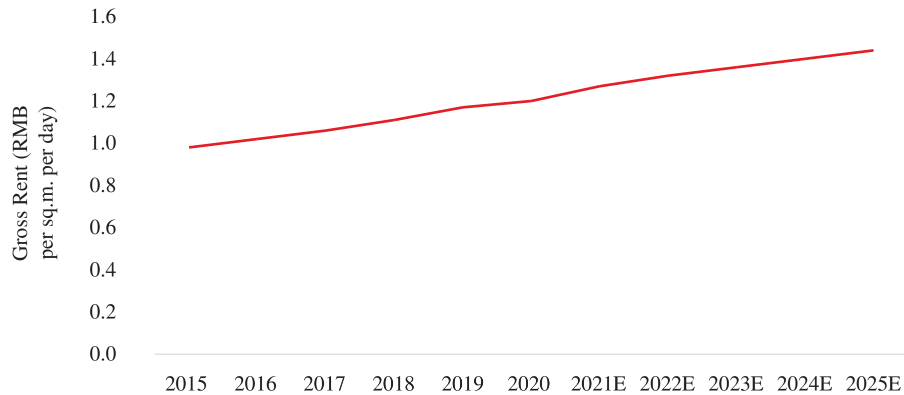
Source: JLL

Stimulated by third-party logistics, e-commerce, local manufacture industry as well as industries transferred from Guangzhou, demand for logistics property kept rising and the vacancy rate of Foshan's logistics property market remained low in the past five years. In line with the divergence of expected supply during 2020-2025, the vacancy rate will be fluctuated in the foreseeable future. The rental has enjoyed a stable growth at approximately 4.0%-5.0% annually from 2015 to 2020 with the help of emerging logistics property demand. The rental increase to around RMB1.44 per sq.m. per day in 4Q2020. The trend of rental growth is anticipated to maintain in the mid-to-long term.

1 Foshan is famous for private manufacturing economy and have fostered industrial giants such as Midea, Haitian, Kelon and Galanz. The city now has vital industries include petrochemicals, electronics and equipment manufacturing.

2 According to the Layout and Construction Plan of National Logistics Hubs (國家物流樞紐佈局和建設規劃) published in 2019, Foshan has been positioned as one of 22 national-level logistics hubs in 2020.

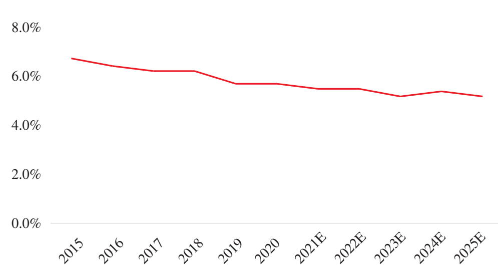
Modern Logistics Property Rent (2015-2025)



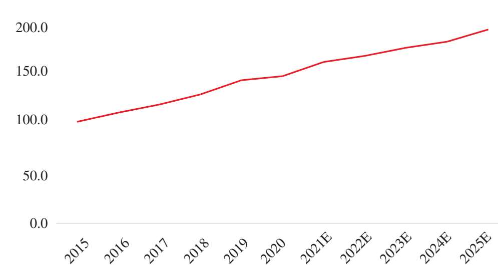
Source: JLL

Benefiting from the growing maturity and transparency of the logistics property market in Foshan, market risk and required yield decreased during the period of 2015-2020. Moreover, with no major transaction in en-bloc modern logistics property since 2019, the capitalisation rate has remained relatively stable at around 5.5%. During 2020-2025, the capitalisation rate is expected to be compressed moderately. Capital value is on a rising trend due primarily to the upward rental rate and the compressed capitalisation rate. Considering the active investment activities in Greater Bay Area and that the market has a high degree of market openness for both domestic and international investors, the indicator has been growing since 2015. Overall, the expectation on capital value of modern logistics property in Foshan remains positive. The charts below set out the capitalisation rate and capital value index of Foshan modern logistics property market from 2015 to 2025.

Capitalisation rate of Modern logistics properties (2015-2025)



Capital value index of Modern logistics properties (2015-2025)



Source: JLL

MODERN LOGISTICS PROPERTY MARKET IN WUHU CITY

Overview of Wuhu City

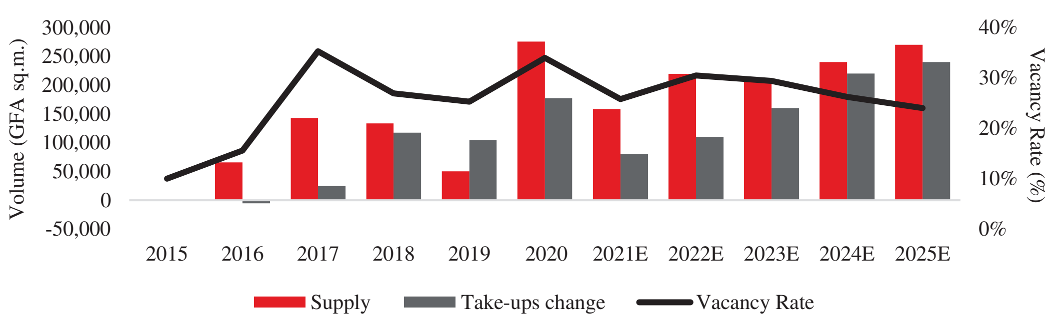
Wuhu is a prefecture-level city in south eastern Anhui province of the PRC. Sitting on the southeast bank of the Yangtze River, Wuhu borders Hefei, the provincial capital of Anhui, to the northwest and is approximately 90 km southwest of Nanjing, the provincial capital of Jiangsu. From 2015 to 2020, Wuhu saw stable GDP increase at a CAGR of approximately 9.1% and it is expected to grow at a CAGR of approximately 6.7% during 2020-2025.

Drivers for Wuhu's logistics industry primarily lie on (i) its competitive capabilities in automobile and mechanical, materials, electronics and cables making the city possible to connect with comprehensive industrial chains nationwide, (ii) its position as a national transportation hub thanks to comprehensive highway, railway and shipping network[1], and (iii) its indispensable membership of Anhui Free Trade Area (安徽自由貿易試驗區)[2].

Market Performance of Wuhu City

Total stock of Wuhu market amounted to around 0.76 million sq.m. in 2020. The stock has increased significantly since 2015 and is expected to continue to expand as the plan of Yangtze River Economic Belt and Anhui Free Trade Area is settled down. The insufficient stock of Wuhu's logistics property facilities before 2015 caught the attentions of investors, the annual supply thereafter grew quickly and reached the peak in 2017. Going forward, Wuhu will move in a fast pace to build a moat of manufacturing and logistics chains by deepening its cooperation with other players in Yangtze River Delta. As a result, annual supply is anticipated to be corresponding to the demand in Yangtze River Economic Belt. The chart below sets out supply and vacancy rate of Wuhu modern logistics property market from 2015 to 2025.

Modern logistics property supply and vacancy rate (2015-2025)



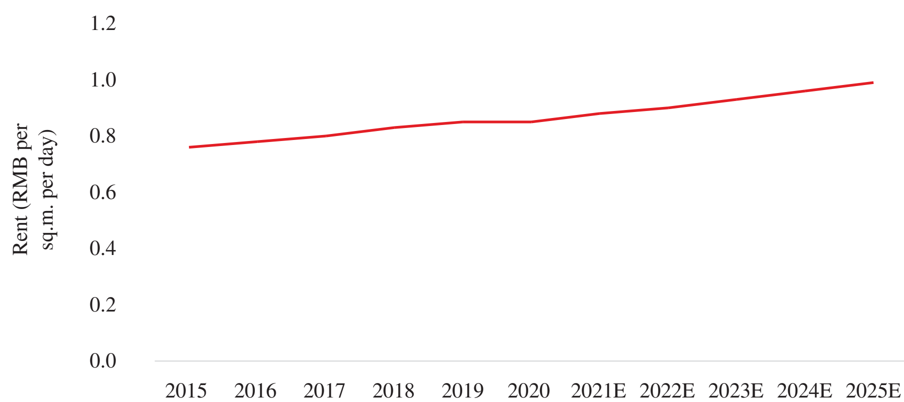
Source: JLL

1 Wuhu links with Nanjing, Shanghai, Hangzhou, Wuhan and Hefei by a highway system of "Two Rings and Nine Lines". The density of this network ranks second in Anhui province. Benefiting from the Shangqiu-Hefei-Hangzhou High-speed Railway opened in June 2020, Wuhu stands in the four-hour life cycle of Beijing and one-and-half-hour life cycle of Hangzhou. As one of 28 major river ports in the PRC, Wuhu Port lies by the lower reach of Yangtze River. Wuhu aims to be the container distribution centre in the lower reach of Yangtze River and operates high-level route line of 190.3 km.

2 According to China (Anhui) Pilot Free Trade Area General Plan (中國(安徽)自由貿易試驗區總體方案), the logistics related area in Wuhu will involve in domestic and "One Belt One Road" markets.

Overall vacancy rate of logistics property in Wuhu has fluctuated since 2015 and has coincided with the change of annual supply, which was due primarily to the mass supply in 2017. After 2020, the vacancy rate is expected to gradually move downwards due to the growing demands. The rental level of Wuhu's logistics property market has been increasing since 2015 and as at 4Q2020, it remained to be around RMB0.85 per sq.m. per day. Considering the growing demand in Wuhu area, the growth rate of rental will stay at a moderate level.

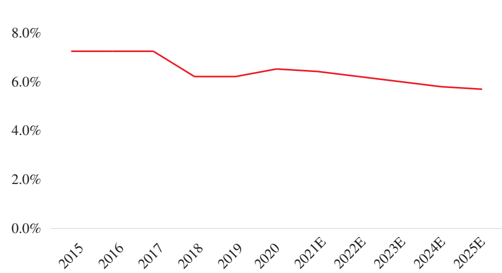
Modern Logistics Property Rent (2015-2025)



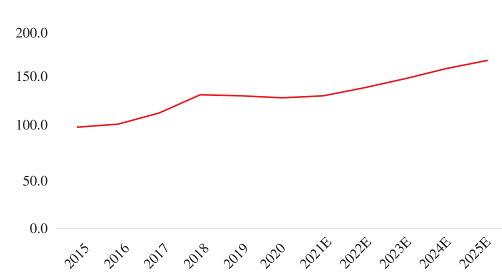
Source: JLL

Capitalisation rate for modern logistics property facilities in Wuhu has remained stable in recent years. Considering the less maturity of Wuhu's market during 2015-2017, a high compensation risk was added for the market uncertainty which lifted the figure to be as high as 7.0%. As the logistics market reached its boundary in 2018, the capitalisation rate slightly drop. Exposure of COVID-19 pandemic is expected to have moderate effect to the market, and the capitalisation rate is expected to be about 5.0%–6.0%. The charts below set out the capitalisation rate and capital value index of Wuhu modern logistics property market from 2015 to 2025.

Capitalisation rate of Modern logistics properties (2015-2025)



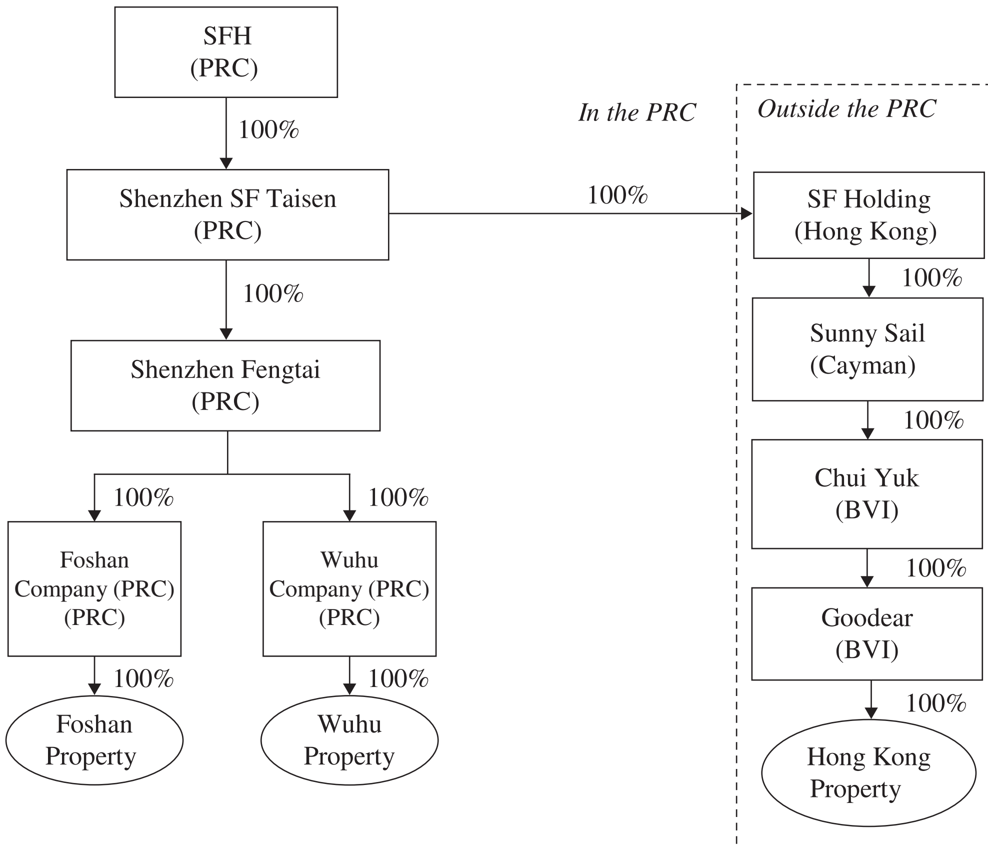
Capital value index of Modern logistics properties (2015-2025)



Source: JLL

REORGANISATION AND ASSET INJECTION

The below chart illustrates the shareholding and corporate structure in respect of the Properties immediately prior to the Reorganisation:



Prior to the Global Offering, the SFH Group undertook a series of transactions which principally involved the following:

(a) the incorporation of SF Fengtai, Golden Bauhinia, the BVI (PRC Property) Holding Companies and the HK (PRC Property) Holding Companies;

(b) the contribution of 1% of the equity interests to each of the PRC Property Companies by Full Will;

(c) the transfer of 99% of the equity interests in each of the PRC Property Companies by Shenzhen Fengtai to each of the HK (PRC Property) Holding Companies;

(d) the transfer of 1% of the equity interests in each of the PRC Property Companies by Full Will to each of the HK (PRC Property) Holding Companies;

(e) the establishment of the REIT Manager;

(f) the establishment of SF REIT and the Purchaser;

(g) the transfer of all the issued share of Chui Yuk to Golden Bauhinia from Sunny Sail;

(h) the settlement of related party balances; and

(i) the conditional transfer of Golden Bauhinia from SF Fengtai to SF REIT.

(Steps (a) to (h) above are collectively referred to as the "**Reorganisation**", and step (i) above is the "**Asset Injection**").

REORGANISATION

The main steps for Reorganisation are summarised below:

(a) Incorporations of SF Fengtai, Golden Bauhinia, the BVI (PRC Property) Holding Companies and the HK (PRC Property) Holding Companies

SF Fengtai was incorporated in the BVI on 23 September 2020 and is authorised to issue a maximum of 50,000 shares of a single class of no par value, of which one share was initially allotted to SF Holding on 23 September 2020, which transferred such share to Sunny Sail. After such transfer, SF Fengtai became an indirect wholly-owned subsidiary of SF Holding through Sunny Sail.

Golden Bauhinia was incorporated in the BVI on 23 September 2020 and is authorised to issue a maximum of 50,000 shares of a single class of no par value, of which one share was allotted to SF Fengtai on 23 September 2020. After such allotment, Golden Bauhinia became an indirect wholly-owned subsidiary of SF Holding through SF Fengtai.

Each of Foshan Company (BVI) and Wuhu Company (BVI) was incorporated in the BVI on 23 September 2020 and is authorised to issue a maximum of 50,000 shares of a single class of no par value, of which one share was allotted to Golden Bauhinia on 23 September 2020. After such allotment, each of Foshan Company (BVI) and Wuhu Company (BVI) became a wholly-owned subsidiary of Golden Bauhinia.

Each of Foshan Company (HK) and Wuhu Company (HK) was incorporated in Hong Kong with limited liability on 22 October 2020. Upon incorporation, one fully paid share of HK$1.00 of each of Foshan Company (HK) and Wuhu Company (HK) was allotted and issued to Foshan Company (BVI) and Wuhu Company (BVI), respectively.

(b) Contribution of 1% of the equity interests to each of the PRC Property Companies by Full Will

Pursuant to (i) the capital increase agreement entered into among Full Will, Shenzhen Fengtai and Foshan Company (PRC) dated 22 October 2020; and (ii) the capital increase agreement entered into among Full Will, Shenzhen Fengtai and Wuhu Company (PRC) dated 23 October 2020, Full Will agreed to make a capital contribution of approximately RMB2.2 million and RMB0.9 million (which is equivalent to approximately HK$2.6 million and HK$1.1 million) in Foshan Company (PRC) and Wuhu Company (PRC), respectively, among which approximately RMB1.3 million and RMB0.9 million (which is equivalent to approximately HK$1.5 million and HK$1.1 million) were contributed to the registered capital with the rest accounted as capital reserve of Foshan Company (PRC) and Wuhu Company (PRC), respectively. The capital contribution was determined pursuant to arm's length commercial negotiation between the parties and having regard to the valuation performed by an independent valuer in the PRC in accordance with the applicable valuation principles generally adopted in the PRC.

Upon completion of the capital increase, each of the PRC Properties Companies was converted from a limited liability company into a Sino-foreign equity joint venture company and was owned as to 99% by Shenzhen Fengtai and 1% by Full Will.

(c) Transfer of 99% of the equity interests in each of the PRC Property Companies by Shenzhen Fengtai to each of the HK (PRC Property) Holding Companies

Pursuant to (i) the equity transfer agreement entered into between Shenzhen Fengtai and Foshan Company (HK) dated 20 November 2020; and (ii) the equity transfer agreement entered into between Shenzhen Fengtai and Wuhu Company (HK) dated 23 November 2020, Shenzhen Fengtai agreed to transfer to Foshan Company (HK) and Wuhu Company (HK) 99% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC) (being the PRC Property Companies) at the consideration of approximately RMB219.2 million and RMB91.8 million (which is equivalent to HK$260.6 million and HK$109.1 million), respectively. The consideration was determined pursuant to arm's length commercial negotiation between the parties and having regard to the valuation performed by an independent valuer in the PRC in accordance with the applicable valuation principles generally adopted in the PRC, and will be settled after Listing. Notwithstanding this, the PRC Legal Advisors have confirmed that the registrations of transfers of the 99% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC) were completed on 25 November 2020 and 23 November 2020, respectively, following which Foshan Company (PRC) and Wuhu Company (PRC) were owned as to 99% by Foshan Company (HK) and Wuhu Company (HK), respectively, and 1% by Full Will.

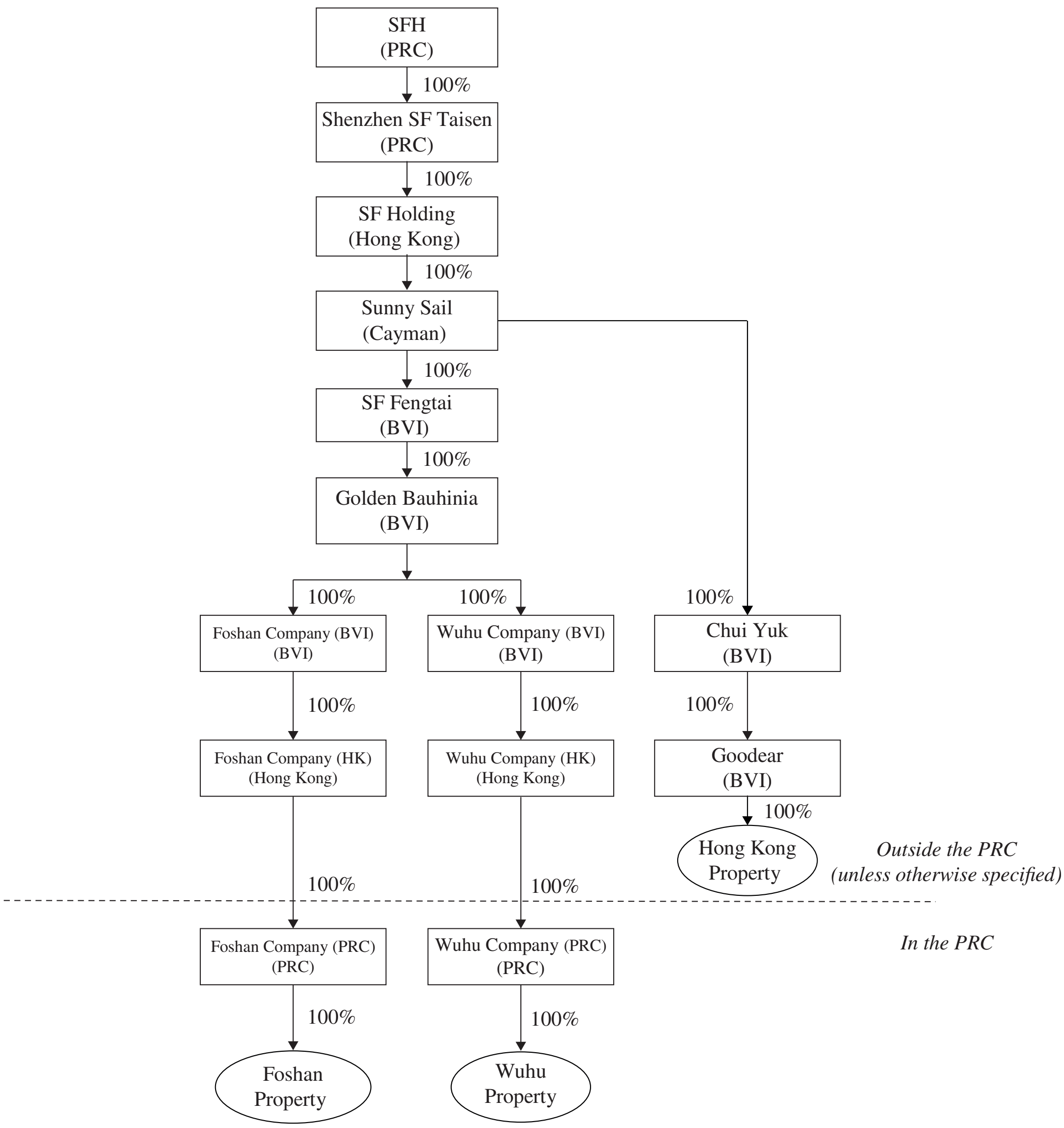
The amount of the presently unsettled consideration for the abovementioned transfers is treated as a liability of the Predecessor Group for the purpose of determining the Asset Injection Consideration. Such unsettled consideration will be settled using the proceeds from the Global Offering and the Bank Loan Drawdown Amount.

(d) Transfer of 1% of the equity interests in each of the PRC Property Companies by Full Will to each of the HK (PRC Property) Holding Companies

Pursuant to (i) the equity transfer agreement entered into between Full Will and Foshan Company (HK) dated 20 November 2020; and (ii) the equity transfer agreement entered into between Full Will and Wuhu Company (HK) dated 23 November 2020, Full Will agreed to transfer to Foshan Company (HK) and Wuhu Company (HK) 1% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC) (being the PRC Property Companies) at the consideration of approximately RMB2.2 million and RMB0.9 million (which is equivalent to HK$2.6 million and HK$1.1 million), respectively. The consideration was determined pursuant to arm's length commercial negotiation between the parties and having regard to the valuation performed by an independent valuer in the PRC in accordance with the applicable valuation principles generally adopted in the PRC. The consideration for such transfers was fully settled by SF Holding (for and on behalf of the HK (PRC Property) Holding Companies) on 2 December 2020. The amount paid by SF Holding to settle the abovementioned consideration forms part of the Golden Bauhinia Payables, which will be assigned by SF Holding to the Purchaser at Asset Injection Completion pursuant to the Sale and Purchase Deed in respect of the Asset Injection.

Upon completion of the abovementioned equity transfers, each of Foshan Company (PRC), Wuhu Company (PRC) and the PRC Properties is indirectly wholly-owned by Golden Bauhinia.

The below chart illustrates the shareholding and corporate structure in respect of the Properties as at the Latest Practicable Date:



(e) Establishment of the REIT Manager

The REIT Manager was incorporated in Hong Kong under the Companies Ordinance on 23 October 2020 for the sole purpose of managing the assets of SF REIT. The REIT Manager is licensed by the SFC to conduct the regulated activity of asset management. The REIT Manager is indirectly held as to 100% by SFH through Shenzhen SF Taisen, SF Holding and Sunny Sail, respectively.

(f) Establishment of SF REIT and the Purchaser

SF REIT was constituted by the Trust Deed entered into on 29 April 2021 between the REIT Manager and the Trustee in their respective personal capacities. SF REIT is organised and managed in a manner which is consistent with the provisions and requirements of the REIT Code, except as set out in the section headed "Modifications, Waivers and Licensing Conditions" in this Offering Circular. The Trustee of SF REIT is DB Trustees (Hong Kong) Limited, a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

The Purchaser, a wholly-owned subsidiary of SF REIT, was incorporated in the BVI on 15 December 2020. The Purchaser will hold the Golden Bauhinia Share following the Asset Injection Completion.

(g) Transfer of all the issued share of Chui Yuk to Golden Bauhinia from Sunny Sail

On 29 April 2021, Sunny Sail (as seller) and Golden Bauhinia (as purchaser) entered into a sale and purchase agreement pursuant to which Golden Bauhinia agreed to acquire, and Sunny Sail agreed to sell, 100% of the issued share of Chui Yuk at a consideration of HK$2,171.0 million, which was determined pursuant to arm's length commercial negotiation between the parties and having regard to the valuation performed by the Independent Property Valuer. The consideration for the acquisition was satisfied by the delivery of a non-interest bearing promissory note ("**Chui Yuk Promissory Note**"). The balance of the Chui Yuk Promissory Note is treated as a liability of the Predecessor Group for the purpose of determining the Asset Injection Consideration and shall be repaid in cash within five Business Days after the Listing Date using the proceeds of the Global Offering and the Bank Loan Drawdown Amount.

Following the completion of the abovementioned acquisition, and prior to Asset Injection Completion Chui Yuk was directly held as to 100% by Golden Bauhinia and was an indirect wholly-owned subsidiary of SFH.

(h) Settlement of related party balances

Certain related party balances are expected to be settled in the following manner:

(i) certain non-trade related party balances owing from subsidiaries of SFH to the Property Companies shall be settled before the Asset Injection Completion Date (for illustrative purposes, such balances amounted to HK$118,000 as at 31 December 2020);

(ii) certain non-trade related party balances owing from the Property Companies to subsidiaries of SFH shall be settled before the Asset Injection Completion Date (for illustrative purposes, such balances amounted to HK$224.7 million as at 31 December 2020);

(iii) certain non-trade related party balances owing from the Predecessor Group to SF Holding shall be settled by the assignment of the Golden Bauhinia Payables on the Asset Injection Completion Date pursuant to the Sale and Purchase Deed (for illustrative purposes, such balances amounted to HK$2,713.1 million as at 31 December 2020); and

(iv) the outstanding consideration for the transfer of 99% equity interests in Foshan Company (PRC) and Wuhu Company (PRC), which is owing from Foshan Company (HK) and Wuhu Company (HK) respectively to Shenzhen Fengtai, shall be settled using the proceeds from the Global Offering and the Bank Loan Drawdown Amount (for illustrative purposes, such balances amounted to RMB311.0 million (equivalent to HK$369.7 million) as at 31 December 2020).

ASSET INJECTION

(i) Conditional transfer of Golden Bauhinia from SF Fengtai to SF REIT

On 29 April 2021, the REIT Manager (in its capacity as manager of SF REIT) and the Purchaser entered into the Sale and Purchase Deed with SF Fengtai (as seller) and SF Holding (as guarantor) pursuant to which the Purchaser agreed to acquire the Golden Bauhinia Share, and accept the assignment of the Golden Bauhinia Payables, with the rights attached to it at the Asset Injection Completion Date.

The Initial Consideration payable by SF REIT (through the Purchaser) to SF Fengtai under the Sale and Purchase Deed, being HK$2,809.6 million plus the amount of the Initial Adjustment Sum, will be satisfied:

(a) as to HK$1,310.4 million by the issue of the Consideration Units (being, 280,000,000 Units, which will represent 35.0% of all of the issued and outstanding Units (assuming the Over-allotment Option is not exercised) on the Listing Date) to SF Fengtai at a fixed issue price of HK$4.68, which is equal to the Minimum Offer Price; and

(b) as to the remainder by the delivery to SF Fengtai of a non-interest bearing promissory note (the "**Golden Bauhinia Promissory Note**"), which will be settled in cash after the Listing Date financed using the proceeds of the Global Offering and the Bank Loan Drawdown Amount.

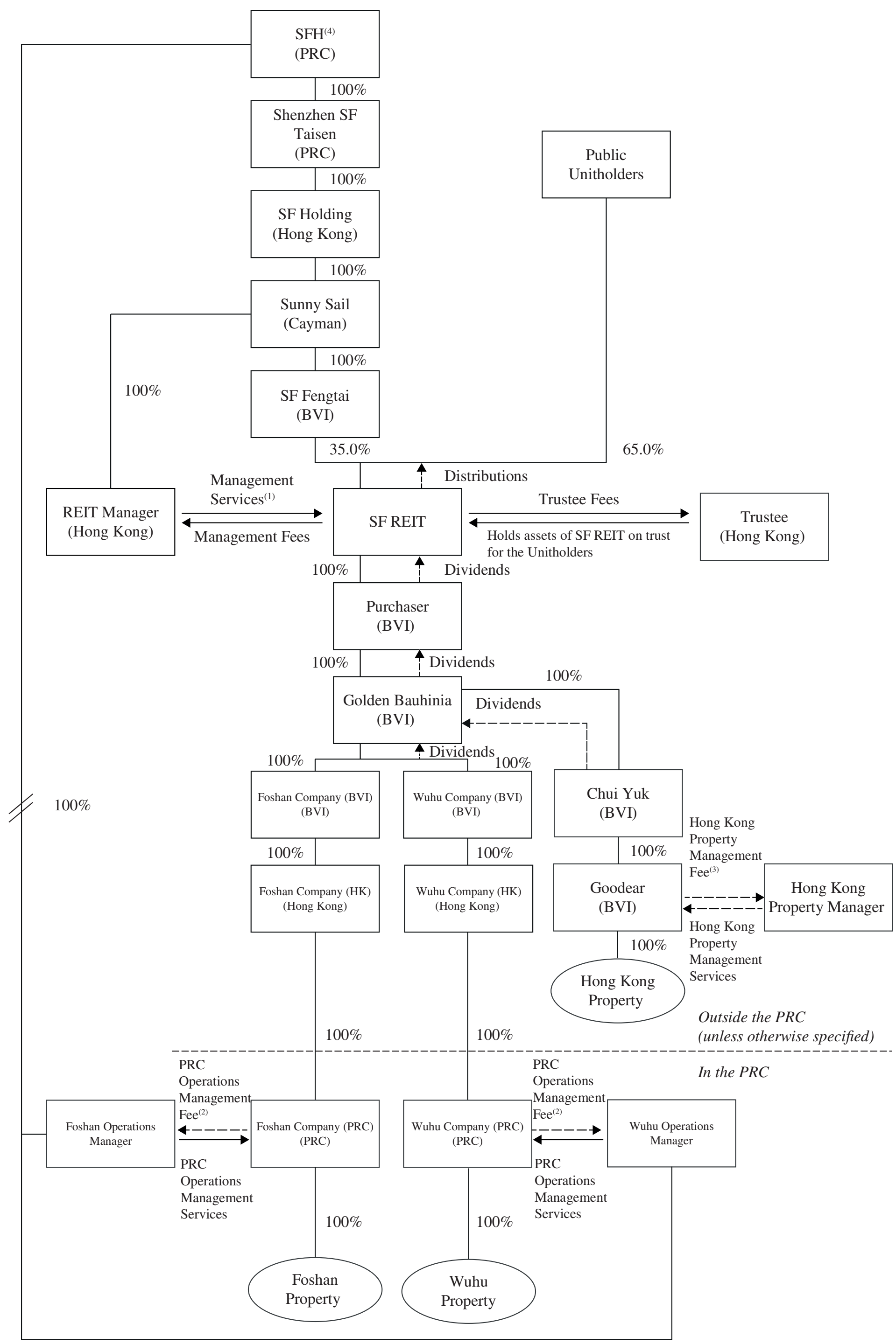
Completion of the acquisition of the Golden Bauhinia Share, as well as the assignment of the Golden Bauhinia Payables, will take place on the Asset Injection Completion Date, which is expected to be two Business Days before the Listing Date. A further adjustment payment (being the Final Payment) shall be made after the Asset Injection Completion Date based on the Adjusted NAV of Golden Bauhinia based on audited accounts as at the Determination Date. For further details on the Sale and Purchase Deed, please refer to the section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.

Based on the legal advice received by the REIT Manager and its own due diligence, the REIT Manager confirms that: (i) the necessary regulatory approvals required under the PRC laws and regulations for the Reorganisation have been obtained and that there are no regulatory approvals required under the Hong Kong, BVI and Cayman Islands laws for the Reorganisation and Asset Injection that have not been obtained as at the Latest Practicable Date; and (ii) to the extent that any step of the Reorganisation is stated to have completed prior to the date of this Offering Circular, such step has been completed in accordance with the relevant Hong Kong, BVI, Cayman Islands and PRC laws and regulations as at the date of this Offering Circular. Save as otherwise disclosed, the considerations payable for the transfers of shares pursuant to the Reorganisation have been settled. In respect of any outstanding amounts arising from the transfers of shares pursuant to the Reorganisation and the Asset Injection (save for the Final Payment, if any, to be made based on the Adjusted NAV of Golden Bauhinia as set out in the Completion Statement), being those under the Chui Yuk Promissory Note and the Golden Bauhinia Promissory Note and the outstanding consideration for the transfer of 99% equity interests in the PRC Property Companies, such amounts are expected to be fully settled within five Business Days (in respect of the Chui Yuk Promissory Note and the Golden Bauhinia Promissory Note) and 25 Business Days (in respect of the consideration for the transfer of 99% equity interests in the PRC Property Companies) after the Listing Date by using the proceeds of the Global Offering and the Bank Loan Drawdown Amount. As at the date of this Offering Circular, the REIT Manager is of the view that nothing would prevent the Asset Injection from being completed after the satisfaction of the conditions precedent (including signing of the International Underwriting Agreement) and settled in accordance with the foregoing expected timeline.

OWNERSHIP STRUCTURE AND PRIMARY CONTRACTUAL RELATIONSHIPS

Immediately following completion of the Global Offering, SFH will (through SF Fengtai) indirectly hold 35.0% of all the issued Units of SF REIT (if the Over-allotment Option is not exercised) or 31.8% of all the issued Units of SF REIT (if the Over-allotment Option is exercised in full).

The following diagram depicts the ownership structure of SF REIT and the Properties (if the Over-allotment Option is not exercised), and the primary structural and/or contractual relationships among SF REIT, the Unitholders, the REIT Manager, the Trustee, the Hong Kong Property Manager and the PRC Operations Managers immediately after completion of the Asset Injection and upon completion of the Global Offering.



"//" indicates indirect ownership

Notes:

(1) Pursuant to the Trust Deed, the REIT Manager will manage SF REIT and will receive management fees from SF REIT. Please refer to the section headed "The REIT Manager – Further Details Regarding the REIT Manager – Fees, Costs and Expenses of the REIT Manager" in this Offering Circular for further details.

(2) Pursuant to the PRC Operations Management Agreements, the PRC Operations Managers will provide (by itself or outsourcing) operations and property management services in respect of the PRC Properties including, among other things, leasing, tenant management services, daily maintenance and financial management services, and will receive PRC Operations Management Fee from the PRC Property Companies. Please refer to the sections headed "The PRC Operations Managers and the Hong Kong Property Manager – The PRC Operations Managers – The PRC Operations Management Agreements" and "Connected Party Transactions – Continuing Connected Party Transactions – Non-Exempt Continuing Connected Party Transactions with SF Connected Persons – PRC Operations Management Agreements" in this Offering Circular for further details.

(3) Pursuant to the Hong Kong Property Management Agreement, the Hong Kong Property Manager will provide (by itself or outsourcing) property management services such as, among other things, daily maintenance, cleaning and security services, contractor management, tenant management, financial management and filing and records management services in respect of the Hong Kong Property, and will receive Hong Kong Property Management Fee from Goodear. Please refer to the section headed "The PRC Operations Managers and the Hong Kong Property Manager – The Hong Kong Property Manager – The Hong Kong Property Management Agreement" in this Offering Circular for further details.

(4) As at the Latest Practicable Date, SFH was owned as to 59.3% by Mingde Holding, which was owned as to 99.9% by Mr. WANG Wei. As such, Mr. WANG Wei owns interests in the Properties indirectly through various companies shown in the diagram.

OVERVIEW

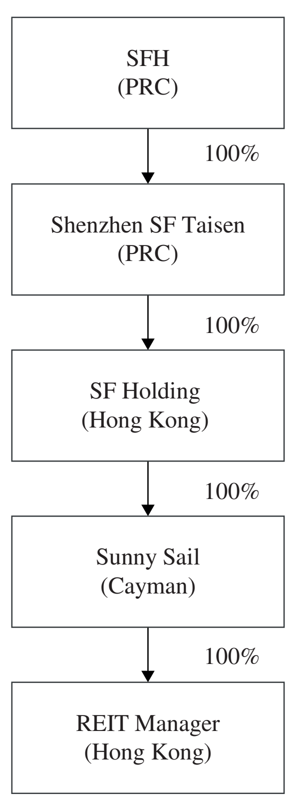
SF REIT is organised and managed in a manner which is consistent with the provisions and requirements of the REIT Code, except as set out in the section headed "Modifications, Waivers and Licensing Conditions" in this Offering Circular. The REIT Manager is independent of the Trustee and possesses the skills and resources to discharge its functions in relation to SF REIT effectively and responsibly. In discharging such functions, the REIT Manager is required to observe high standards of corporate governance. The REIT Manager is capable of performing, and shall perform, its duties in relation to SF REIT independently and in the best interests of SF REIT and its Unitholders. For details of the corporate governance policies and procedures of the REIT Manager, please refer to the section headed "Corporate Governance" in this Offering Circular.

THE REIT MANAGER

The REIT Manager was incorporated in Hong Kong on 23 October 2020 for the sole purpose of managing the assets of SF REIT. The REIT Manager is a direct wholly-owned subsidiary of Sunny Sail and an indirect wholly-owned subsidiary of SFH. The REIT Manager has a paid-up share capital of HK$30,000,000. Its registered office is located at Room 2002, 20/F, Lee Garden Six, 111 Leighton Road, Causeway Bay, Hong Kong.

Further information about SFH is contained in the section headed "Information about SFH, SF Holding and SF Fengtai" in this Offering Circular.

The following diagram sets forth the shareholding structure of the REIT Manager as at the Latest Practicable Date:



The REIT Manager has the general power of management over the assets of SF REIT and the REIT Manager's main responsibility is to manage the assets of SF REIT for the benefit of the Unitholders. The REIT Manager does not manage any other REITs. The REIT Manager will set the strategic direction and risk management policies of SF REIT and give instructions to the Trustee with respect to the acquisition and divestment of assets of SF REIT in accordance with its stated investment strategy and with respect to borrowings and guarantees for the account of SF REIT. The REIT Manager will manage the assets of SF REIT in accordance with the REIT Manager's investment strategy as stated in the section headed "Strategy" in this Offering Circular and in accordance with the provisions of the Trust Deed and the compliance procedures set forth herein. The REIT Manager is licensed by the SFC to conduct the regulated activity of asset management, as required by the REIT Code.

The REIT Manager will be responsible for appointing and reviewing the performance and eligibility of the auditor of SF REIT and the auditors of the Special Purpose Vehicles, whom shall be the same auditor of SF REIT.

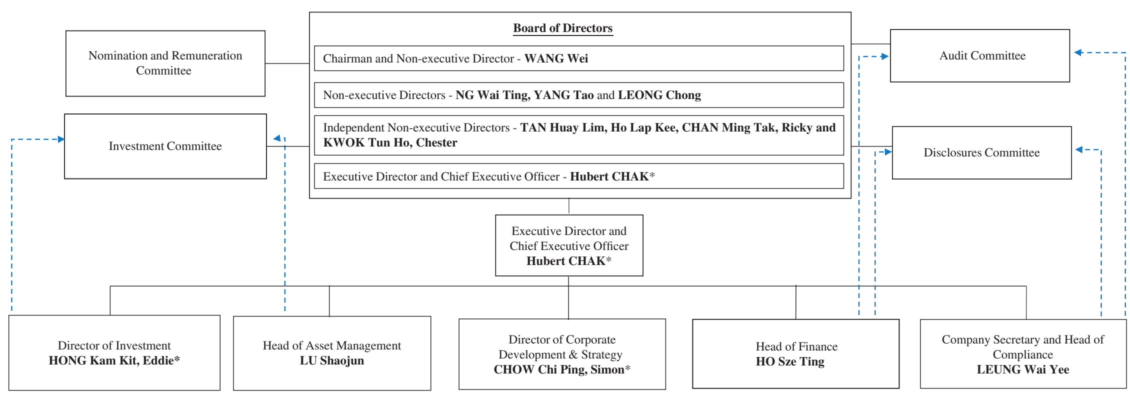
The REIT Manager will also be responsible for ensuring compliance with the applicable provisions of the REIT Code, the SFO, the Listing Rules, the Trust Deed, all relevant contracts and all other relevant laws, rules and regulations. The REIT Manager will be responsible for all regular communications with Unitholders.

The REIT Manager may at its sole and absolute discretion whenever it considers necessary or beneficial to SF REIT require the Trustee to borrow and raise monies on behalf of SF REIT either directly or through Special Purpose Vehicles (upon such terms and conditions as the REIT Manager thinks fit and in particular by charging or mortgaging all or any part of SF REIT's assets). However, the REIT Manager shall not direct the Trustee to incur a borrowing if to do so would mean that SF REIT's total borrowings exceed 50% (or such other higher or lower percentage as may be permitted by the REIT Code or as may be specifically permitted by the relevant authorities) of its Gross Asset Value of the Deposited Property set out in SF REIT's latest published audited financial statements immediately prior to such borrowing being effected (as adjusted by (i) the amount of any distribution proposed by the REIT Manager in such audited financial statements and any distribution declared by the REIT Manager since the publication of such financial statements; and (ii) where appropriate the latest published valuation of the assets of SF REIT if such valuation is published after the publication of such financial statements).

Pursuant to its general powers of delegation under the REIT Code, the REIT Manager has delegated: (i) certain property management functions to the Hong Kong Property Manager pursuant to the Hong Kong Property Management Agreement; and (ii) certain operations and property management functions to the PRC Operations Managers pursuant to the PRC Operations Management Agreements. In retaining the Hong Kong Property Manager and the PRC Operations Managers, the REIT Manager is satisfied that they have sufficient financial resources, insurance coverage, internal control systems and competent staff with the requisite expertise and experience to engage in operations or property management (as the case may be) in Hong Kong and the PRC. The REIT Manager will maintain overall supervision and monitoring of their performance, which include inspecting the books and records kept by these delegates in relation to the functions delegated to them, and will remain ultimately responsible for the delegated functions they perform including their acts and omissions. The REIT Manager shall continue to observe and comply with General Principle 4 and paragraph 5.7 of the REIT Code and paragraph 13 of the Practice Note on Overseas Investments by SFC-authorised REITs contained in the REIT Code, which require the REIT Manager to, among other things, remain fully responsible for proper performance of its delegates and ensure that they have the expertise, resources and systems to carry out their duties in relation to the functions being delegated and remain competent to undertake such functions.

ORGANISATIONAL STRUCTURE OF THE REIT MANAGER

The following diagram sets forth the organisational and reporting structure of the REIT Manager:



** Responsible Officers of the REIT Manager*

Dotted lines represent ad hoc reporting on a case by case basis

THE BOARD OF DIRECTORS OF THE REIT MANAGER

The Board is responsible for the overall governance of the REIT Manager, including establishing goals for managing and monitoring the achievement of these goals. The Board has established a framework for the management of SF REIT, including a system of internal control and business risk management processes.

The Board is made up of nine Directors comprising one executive Director, four non-executive Directors and four independent non-executive Directors. Hubert CHAK, HONG Kam Kit, Eddie and CHOW Chi Ping, Simon are licensed by the SFC as Responsible Officers of the REIT Manager for the purposes of section 125 of the SFO and paragraph 5.4 of the REIT Code.

For further information on the Board and its committees, please refer to the section headed "Corporate Governance" in this Offering Circular.

Directors

The Board is entrusted with the responsibility for the overall management of the REIT Manager. The following table sets forth information regarding the Directors as at the date of this Offering Circular:

Name	Age	Position
WANG Wei (王衛)	50	Chairman and Non-Executive Director
Hubert CHAK (翟廸強)	60	Chief Executive Officer and Executive Director
NG Wai Ting (伍瑋婷)	50	Non-executive Director
YANG Tao (楊濤)	50	Non-executive Director
LEONG Chong (梁翔)	55	Non-executive Director
TAN Huay Lim (陳懷林)	64	Independent Non-executive Director
HO Lap Kee, *MH, JP* (何立基)	60	Independent Non-executive Director
CHAN Ming Tak, Ricky (陳明德)	62	Independent Non-executive Director
KWOK Tun Ho, Chester (郭淳浩)	57	Independent Non-executive Director

Information on the business and working experience of the Directors is set out below:

Chairman and Non-executive Director

WANG Wei (王衛)

Mr. WANG, aged 50, was appointed as a Director and the Chairman of the REIT Manager on 3 February 2021.

Mr. WANG possesses over 28 years of extensive and relevant industry experience in the logistics industry. Having founded SFH in 1993, Mr. WANG is the actual controller of SFH and has been its chairman of the board of directors and general manager since December 2016, responsible for formulating business strategies as well as overseeing business development and overall management of SFH.

Chief Executive Officer and Executive Director

Hubert CHAK (翟廸強)

Mr. CHAK, aged 60, was appointed as a Director on 23 October 2020. He is also the Chief Executive Officer and one of the Responsible Officers of the REIT Manager.

Mr. CHAK has over 30 years of experience in real estate and financial industries. He joined Link Asset Management Limited, the manager of Link Real Estate Investment Trust (stock code: 823), in June 2010 and was the 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 (stock code: 497) 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 (stock code: 432) from May 2004 to February 2007. He is currently an independent non-executive director of Tradelink Electronic Commerce Limited (stock code: 536).

Mr. CHAK obtained a Bachelor of Science in Mechanical Engineering and a Master of Business Administration from University of Wales (currently known as Cardiff University) in the United Kingdom in July 1984 and July 1986, respectively.

Non-executive Directors

NG Wai Ting (伍瑋婷)

Ms. NG, aged 50, was appointed as a Director of the REIT Manager on 3 February 2021.

Ms. NG has over 26 years of experience in the finance and accounting practice. She is a board member of SFH and was its deputy general manager and the chief financial officer from December 2016 to April 2021. She worked as the president of the corporate finance division and the chief financial officer of Shenzhen SF Taisen from May 2013 to March 2015 and from March 2015 to December 2016, respectively. She worked at KPMG (Hong Kong) from September 1994 to April 2013 with her last position as director.

Ms. NG obtained a Bachelor of Commerce in Accounting and Information Systems from The University of New South Wales in Australia in April 1994. She was admitted as a member of the Certified Practising Accountants (Australia) in February 1994.

YANG Tao (楊濤)

Mr. YANG, aged 50, was appointed as a Director of the REIT Manager on 3 February 2021.

Mr. YANG has over 16 years of experience in the logistics industry. He joined Shenzhen SF Taisen in June 2004 and is currently the vice president. He was a supervisor of SFH from February 2017 to December 2019. He is currently the legal representatives of multiple subsidiaries of SFH primarily responsible for their property and land development businesses as well as supporting the capital raising activities of SFH.

Mr. YANG obtained a Bachelor of Accountancy from Heilongjiang Business College* (黑龍江省財貿管理干部學院) (currently known as Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院)) in the PRC in July 1990.

LEONG Chong (梁翔)

Mr. LEONG, aged 55, was appointed as a Director of the REIT Manager on 3 February 2021.

Mr. LEONG has over 23 years of experience in securities and investment industry and senior management. He was the deputy general manager of SFH from December 2016 to March 2019. He worked in Morgan Stanley Dean Witter Asia Limited (now known as Morgan Stanley Asia Limited) with the last position held as the managing director of the investment banking division from June 2002 to September 2015. He was a director of the equity research department of Credit Suisse First Boston (Hong Kong) Limited (now known as Credit Suisse (Hong Kong) Limited) from June 2000 to October 2001. He worked as an analyst and vice president in the equity research division of Morgan Stanley Dean Witter Asia Limited (now known as Morgan Stanley Asia Limited) from July 1997 to June 2000. Mr LEONG is currently an independent non-executive director of JY Grandmark Holdings Limited (stock code: 2231) and Central China New Life Limited (stock code: 9983).

Mr. LEONG obtained a Bachelor of Arts with a major in Computer Science from the University of California, Berkeley in the United States in December 1990.

Independent non-executive Directors

TAN Huay Lim (陳懷林)

Mr. TAN, aged 64, was appointed as a Director of the REIT Manager on 29 April 2021.

Mr. TAN has over 30 years of experience in accounting, finance and audit. He served as a partner at KPMG Singapore for 23 years until his retirement in September 2015.

Mr. TAN is serving as an independent non-executive director of six other companies listed on the Singapore Exchange Limited or the Hong Kong Stock Exchange, namely (i) Zheneng Jinjiang Environment Holding Company Limited (stock symbol: BWM) since July 2016; (ii) Dasin Retail Trust Management Pte. Ltd., the trustee-manager of Dasin Retail Trust (stock symbol: CEDU), since December 2016; (iii) Koufu Group Limited (stock symbol: VL6) since June 2018; (iv) ASL Marine Holdings Ltd (stock symbol: A04) since August 2019; (v) Elite Commercial REIT Management Pte. Ltd., the manager of Elite Commercial REIT (stock symbol: MXNU), since January 2020; and (vi) Linklogis Inc. (stock code: 9959) since March 2021.

Notwithstanding the fact that Mr. TAN currently has independent non-executive directorship with six other listed companies, Mr. TAN confirmed that he will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director based on the following: (i) his involvement in other listed companies as independent non-executive director primarily requires him to oversee their management independently, rather than his allocation of substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) notwithstanding his current engagement as independent non-executive director of six other listed companies, he has maintained a consistently high attendance in board meetings, meetings of board committees and general meetings of the abovementioned listed companies during the respective relevant financial periods reported in the latest available annual reports; (iii) none of the listed companies that he has directorship engagement with has questioned or complained about his time devoted to such listed companies. Based on the foregoing, the REIT Manager believes that Mr. TAN will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director of the REIT Manager.

Mr. TAN received his Bachelor's degree in Commerce (Accountancy) from Nanyang University (currently known as Nanyang Technological University) in Singapore in August 1978. He is a fellow member of the Institute of Singapore Chartered Accountants, the Association of Certified Accountants (United Kingdom), and the Certified Practising Accountants (Australia).

HO Lap Kee, MH, JP (何立基)

Mr. HO, aged 60, was appointed as a Director of the REIT Manager on 29 April 2021.

Mr. HO has over 30 years of experience in the shipping and maritime industry and considerable experience in aspect of trade and transport of goods. He has been an executive director at the secretarial of The Hong Kong Shippers' Council since September 1999. Prior to that, he worked at Swire Shipping (Agencies) Limited and Taikoo Maritime Services Ltd until September 1999 with his last position as deputy managing director. He has been an independent non-executive director of Tradelink Electronic Commerce Limited (stock code: 536) since May 2005.

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

Mr. HO obtained a Bachelor of Social Science from The University of Hong Kong in November 1982. He is a chartered fellow of The Chartered Institute of Logistics and Transport in Hong Kong.

CHAN Ming Tak, Ricky (陳明德)

Mr. CHAN, aged 62, was appointed as a Director of the REIT Manager on 29 April 2021.

Mr. CHAN has over 36 years of 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 (stock code: 823), from August 2010 to December 2019. Prior to that, he worked at Pacific Century Premium Developments Limited (stock code: 432) 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 (stock code: 173) from November 2005 to April 2009. Mr. CHAN was a practising solicitor in Hong Kong.

Mr. CHAN obtained a Bachelor of Laws from The University of Hong Kong in November 1981 and a Master of Laws from University College London in November 1985. He also obtained a Diploma in Chinese Laws from China University of Political Science and Law (中國政法大學) in July 1996. 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 (郭淳浩)

Mr. KWOK, aged 57, was appointed as a Director of the REIT Manager on 29 April 2021.

Mr. KWOK has over 25 years of 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 (stock code: 435), and Yixin Group Limited (stock code: 2858).

Mr. KWOK was also a member of the Takeovers and Mergers Panel of the SFC from April 2007 to March 2016. He has been a member of the Process Review Panel of the SFC since November 2016.

Mr. KWOK obtained a Bachelor of Arts from the University of Cambridge in June 1985. He is a member of the Hong Kong Securities and Investment Institute and a fellow of The Hong Kong Institute of Directors.

Further information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules

Mr. WANG was a director of SF Secretarial Limited (順豐秘書服務有限公司) and Middle C Limited, which were companies incorporated in Hong Kong engaging in the business of provision of secretarial services and education & training, respectively, and were dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance on 30 June 2011 and 30 December 2011, respectively. He was also a director of Fortune Gate (Asia) Ltd. (中基亞洲有限公司), which was a company incorporated in Hong Kong and ceased its business and became dormant before its dissolution by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance on 1 September 2006. Mr. WANG confirmed that these companies were solvent at the time of their respective dissolution.

Mr. CHAK was a director of the Relevant Dissolved Companies which were deregistered (in the case of the Hong Kong incorporated companies) or struck off (in the case of the BVI incorporated companies) between 3 February 2006 and 8 April 2011. Mr. CHAK confirmed that the Relevant Dissolved Companies were solvent at the time of their respective dissolution.

Ms. NG was a director of Shuncheng Qianhai No. 3 Financing Lease (Shenzhen) Co. Ltd. (順誠前海三號融資租賃(深圳)有限公司), Shuncheng Qianhai No. 4 Financing Lease (Shenzhen) Co. Ltd. (順誠前海四號融資租賃(深圳)有限公司) and Shuncheng Qianhai No. 5 Financing Lease (Shenzhen) Co. Ltd. (順誠前海五號融資租賃(深圳)有限公司), which were companies established in the PRC engaging in the business of aircraft leasing and were dissolved through shareholders' decision on 2 January 2018, 12 January 2018 and 31 January 2018, respectively. Ms. NG confirmed that these companies were solvent at the time of their respective dissolution.

Mr. LEONG was a director of Gateway Capital Group Limited which was incorporated in Hong Kong and had not commenced any business since its incorporation and was dissolved by being struck off from the register of companies pursuant to Section 291 of the Predecessor Companies Ordinance on 9 August 2002. Mr. LEONG confirmed that the company was solvent at the time of its dissolution.

Mr. TAN was (i) a council member of the management committee from 30 October 2007 to 31 March 2013 of Ren Ci Hospital & Medicare Centre, a non-profit voluntary welfare organisation established in Singapore, which was voluntarily dissolved on 31 March 2013; (ii) a director from 1 July 2020 to 28 August 2020 of Xihe Holdings (Pte) Ltd., an investment holding company incorporated in Singapore, which was placed under interim judicial management on 13 August 2020 and has been placed under judicial management since 13 November 2020; and (iii) a director from 1 July 2020 to 28 August 2020 of Xihe Capital (Pte) Ltd., an investment holding company incorporated in Singapore, which has been placed in liquidation pursuant to members' voluntary winding up since 22 October 2020.

Each of the above Directors has confirmed that (i) there was no wrongful act on his/her part leading to such dissolution, judicial management or winding up of the above companies or organisations and he/she was not aware of any actual or potential claim that had been or would be made against him/her as a result of such dissolution, judicial management or winding up; and (ii) no misconduct or misfeasance on his/her part had been involved in such dissolution, judicial management or winding up of the above companies or organisations.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the Directors that needs to be brought to the attention of the Unitholders and that there was no information relating to the Directors that are required to be disclosed as at the Latest Practicable Date under Rule 13.51(2) of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Board Committees

The Board has the power to delegate to committees consisting of such members of its body as it thinks fit. The committees of the Board have been set up with clear terms of reference to review specific issues or items and then to submit their findings and recommendations to the Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the Board and not the committees. The committees of the Board are currently as described in the section headed "Corporate Governance" in this Offering Circular.

ROLES OF THE RESPONSIBLE OFFICERS AND OTHER OFFICERS OF THE REIT MANAGER

The **Chief Executive Officer** shall be responsible for: (i) identifying and evaluating potential acquisition and divestment opportunities consistent with SF REIT's investment strategy with a view to maximising SF REIT's DPU and enhancing the value of SF REIT's portfolio; (ii) formulating the business plans of SF REIT's properties with short, medium and long-term objectives and with a view to maximising the rental income of SF REIT and DPU yield for the benefit of Unitholders via active asset management; (iii) setting targets for the performance of the REIT Manager and SF REIT and working with other senior management to ensure achievement of the targets; (iv) formulating asset enhancement strategies and plans; (v) monitoring and supervising the performance of the Hong Kong Property Manager and the PRC Operations Managers; (vi) ensuring that assets of SF REIT are regularly valued according to market practice and in accordance with regulatory requirements; and (vii) overseeing the risk management systems, internal control policies, as well as compliance with applicable regulatory requirements.

The **Director of Investment** shall be responsible for (i) identifying and evaluating potential acquisition and divestment opportunities consistent with SF REIT's investment strategy with a view to maximising SF REIT's DPU and enhancing the value of SF REIT's portfolio; (ii) analysing the impact on the portfolio of acquisition and development opportunities and their financing and ensuring that SF REIT's exposure to risk is appropriately managed; (iii) overseeing due diligence process in potential acquisition or disposal of real estate assets; (iv) managing debt and equity fund raising exercises for asset acquisitions and refinancing; (v) reviewing, monitoring and approving the scope of Relevant Investments and/or Property Development and Related Activities; and (vi) promoting and marketing of SF REIT, managing relationships with the media and conducting all communications with Unitholders and other key stakeholders with the aim of uploading high transparency standards.

The **Director of Corporate Development & Strategy** shall be responsible for (i) formulating business strategies of the REIT Manager with short, medium and long-term objectives and with a view of maximising the return to the Unitholders; (ii) directing the implementation of business development plans with other senior management; (iii) conducting research on market trend, monitoring market development such as new supply, transactions, valuation and rental trend, assessing the impact and formulating strategies; (iv) directing the development and implementation of marketing strategies and business development plans with the REIT Manager and the PRC Operations Managers; and (v) ensuring that the assets of SF REIT are regularly valued according to the market practice and regulatory requirements, and reviewing market conditions and performance of SF REIT's portfolio to assess market valuation of the portfolio.

The **Head of Asset Management** shall be responsible for (i) formulating and monitoring asset enhancement strategies and plans and attend meeting with the contractors, receive and interpret technical reports and keep the Chief Executive Officer and other senior management informed of the ongoing process; (ii) monitoring and supervising the performance of the Hong Kong Property Manager and PRC Operations Managers; (iii) formulating property and facilities management strategies and overseeing the overall property management to sustain the asset quality, including reasonable capital expenditure and property expenses; (iv) formulating and monitoring leasing and marketing strategies to drive rental growth; and (v) implementing asset enhancement plan to sustain and maximise property value.

The **Head of Finance** shall be responsible for (i) the financial management of the REIT Manager and SF REIT; (ii) leading the finance and accounting team to ensure effective and efficient financial management, including statutory reporting, financial and management accounting, taxation, and cash flow management; (iii) managing SF REIT's borrowings, cash flow, assets and liabilities and other financial matters to ensure compliance with the REIT Code; (iv) projecting rental returns, accounting for rental collections and operating expenses incurred in the course of managing and operating the properties of SF REIT; (v) preparing short and long term budget and DPU projection; (vi) ensuring that accounting records are prepared, maintained and reported in accordance with international financial reporting standards; (vii) recommending to the Chief Executive Officer proposals relating to financial investments of SF REIT and reviewing proposals relating to Relevant Investments and/or Property Development and Related Activities; and (viii) ensuring annual distribution to the Unitholders timely.

The **Company Secretary and Head of Compliance** shall be responsible for (i) ensuring that in managing SF REIT, the REIT Manager shall, where applicable, comply with the Trust Deed, the REIT Code, the Listing Rules, the SFO, and other applicable laws, regulations and rules; (ii) maintaining proper records in relation to SF REIT in compliance with applicable rules and regulations; (iii) ensuring that the REIT Manager is kept up-to-date with any changes in the applicable rules and regulations that relate to compliance matters; (iv) conducting regular compliance reviews; and (v) identifying non-compliance events, proposing mitigation and rectifications and escalating them to the appropriate level within the REIT Manager.

The **Internal Auditor** shall be responsible for: (i) reviewing the operations and transactions in relation to SF REIT and ensuring that the REIT Manager's internal control systems function properly; (ii) identifying contingency events and escalating them to the appropriate level within the REIT Manager; and (iii) reviewing and making recommendations to the Board or the Audit Committee (as the case may be) to ensure effective segregation of duties and operation functions of the REIT Manager and effectiveness and accuracy of the reporting of irregularities and infringements of the REIT Manager's operational and compliance procedures.

RESPONSIBLE OFFICERS AND OTHER OFFICERS OF THE REIT MANAGER

Information on the working experience of the Responsible Officers and other officers of the REIT Manager is set out below:

Hubert CHAK (翟迪強)

Mr. Chak is the Chief Executive Officer and one of the Responsible Officers of the REIT Manager. He is also the executive Director of the REIT Manager and information on his business and working experience has been set out in "The Board of Directors of the REIT Manager – Chief Executive Officer and Executive Director" in this section.

HONG Kam Kit, Eddie (康錦傑)

Mr. Hong, aged 48, is the Director of Investment and one of the Responsible Officers of the REIT Manager.

Mr. Hong has over 25 years of experience in real estate investment, asset management and accountancy. He was the managing director of Greenland (Asia) Securities Co., Limited from March 2019 to November 2020 and was one of its responsible officers. He was the general manager overseeing investment and investor relations at Henderson Sunlight Asset Management Limited, the manager of Sunlight Real Estate Investment Trust (stock code: 435) from February 2017 to February 2019 and was also one of its responsible officers. He served successively as an executive director and a chief investment officer of Bridgeway Prime Shop Fund Management Limited, a SFC licensed asset management company that specialises in street properties investment in Hong Kong from July 2015 to October 2016 and was one of its responsible officers. He was the investment and investor relations manager and one of the responsible officers of New Century Asset Management Limited, the manager of New Century Real Estate Investment Trust (stock code: 1275), from June 2013 to July 2015. He was an associate director of the asset management division at Somerley Limited from October 2009 to June 2013, and was one of the responsible officers of Somerley Asset Management Limited from July 2010 to June 2013. Prior to that, he served successively as a senior investment analyst, manager and senior manager at American International Assurance Company Limited from March 2000 to July 2006. Mr. Hong started his professional career at Deloitte Touche Tohmatsu as an auditor.

Mr. Hong obtained a Bachelor of Economics from Macquarie University in Australia in April 1994 and a Master of Business Law from Monash University in November 2005. Mr. Hong is a member of Certified Practising Accountants (Australia) and is qualified as a Chartered Financial Analyst.

CHOW Chi Ping, Simon (周治平)

Mr. Chow, aged 63, is the Director of Corporate Development and Strategy and one of the Responsible Officers of the REIT Manager.

Mr. Chow has over 30 years of experience in real estate consultancy, acquisition and asset management in Hong Kong. He worked at Grosvenor Limited, an international property company engaging in the property development, management and investment, from August 2016 to December 2019, with his last position as investment director. Prior to that, he held directorships and senior positions in the investment, asset management and corporate finance departments of various corporations including CBRE Global Investors (Asia) Limited, the Link Management Limited (currently known as Link Asset Management Limited), Redevco Asia Limited and ING Real Estate Investment Management (Asia) Limited. Mr. Chow has extensive working experience in real estate firms. He was a director of investment at Knight Frank Asia Pacific Pte. Ltd. from May 2001 to August 2004, a director of investment department, agency services division at Cushman & Wakefield from August 1995 to April 2001, a director of investment sales department at Colliers Jardine (HK) Limited (currently known as Colliers International (Hong Kong) Limited) from March 1992 to August 1995. He worked at Delta Realty Company Limited from August 1984 to April 1990 with his last position as director of the real estate agency department. Mr. Chow started his professional career at Jones Lang Wotton (currently known as Jones Lang LaSalle Corporate Appraisal and Advisory Limited) as a negotiator in the industrial department and commercial agency department.

Mr. Chow obtained a Bachelor of Commerce (Major Finance) from Concordia University in Canada in May 1982. He was awarded a practising certificate and a specialist certificate in asset management by Hong Kong Securities Institute in January 2007 and June 2007 respectively. He possesses an estate agent's licence (individual) granted by the Estate Agents Authority in Hong Kong.

LU Shaojun (盧少俊)

Mr. Lu is the Head of Asset Management of the REIT Manager.

Prior to joining the REIT Manager, Mr. Lu has been the head of Goodear since May 2019. Concurrently, he served various roles in SFH, including the head of construction management from June 2019 to June 2020, a head of project management from May 2017 to May 2019, and an associate director of project management from March 2013 to April 2017. Before joining SFH, he was an operations director of a project at Johnson Controls from October 2011 to August 2012. Prior to that, he worked at FedEx Express as a facilities manager and a properties and real estate specialist as well as BlueScope Steel Limited as a technical engineer.

Mr. Lu obtained a Master of Science (Structural Engineering & Construction Management) from the University of Newcastle upon Tyne in the United Kingdom in December 2003.

HO Sze Ting (何思婷)

Ms. Ho is the Head of Finance of the REIT Manager.

Ms. Ho has extensive experience in statutory financial reporting and financial management for business entities in Hong Kong and the PRC as well as asset management. Prior to joining the REIT Manager, she joined Goodear in August 2016 and has been the head of finance since October 2016. She was a finance manager of SFH from October 2015 to July 2016. She worked at The Hong Kong and China Gas Company Limited (stock code: 003) from August 2006 to October 2015 and mainly served at the headquarter of Towngas China Company Limited (stock code: 1083) ensuring compliance with statutory financial reporting requirements as an accountant.

Ms. Ho obtained a Bachelor of Business Administration (Accounting and Finance) and a Master of Laws (Corporate and Financial Laws) from The University of Hong Kong in December 2006 and December 2014, respectively. Ms. Ho has become a certified public accountant since July 2010, and a fellow of the Hong Kong Institute of Certified Public Accountants since September 2017.

LEUNG Wai Yee (梁慧儀)

Ms. Leung is the Company Secretary and the Head of Compliance of the REIT Manager.

Ms. Leung has extensive experience in company secretarial and corporate compliance practices, including acting as the company secretary of several companies listed on the Hong Kong Stock Exchange before. From October 2010 to March 2018, she worked at Link Asset Management Limited, the manager of Link Real Estate Investment Trust (stock code: 823), with her last position as deputy company secretary of the legal and company secretarial department.

Ms. Leung obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in November 1996. She is an associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Institute of Chartered Secretaries.

FURTHER DETAILS REGARDING THE REIT MANAGER

Fees, Costs and Expenses of the REIT Manager

The REIT Manager is entitled to receive the following fees under the Trust Deed:

(a) on a semi-annual basis, a Base Fee of 10.0% per annum of the Base Fee Distributable Income;

(b) on an annual basis, a Variable Fee of 25.0% per annum of the difference in DPU in a financial year compared to the preceding financial year multiplied by the weighted average number of Units in issue for such financial year (for the purpose of calculating the Variable Fee only, the DPU shall be calculated before accounting for the Variable Fee but after accounting for the Base Fee for the relevant financial year);

(c) an Acquisition Fee (i) not exceeding 0.5% of the acquisition price of each real estate acquired from the SFH Group; and (ii) not exceeding 1.0% of the acquisition price of each real estate acquired from third parties other than the 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); and

(d) a Divestment Fee not exceeding 0.5% of the sale price of each real estate sold or divested, directly or indirectly, by SF REIT (pro-rated if applicable to the proportion of SF REIT's interest in the real estate sold).

No Variable Fee shall accrue or be payable for the period from the Listing Date to 31 December 2021. The Variable Fee for the year ending 31 December 2022 will be calculated by reference to the annualised actual DPU for the period from the Listing Date to 31 December 2021 and actual DPU for the year ending 31 December 2022.

Base Fee

With effect from and including the Listing Date, the REIT Manager will be entitled to receive the Base Fee for its own account out of the Deposited Property on a semi-annual basis.

The Base Fee shall be calculated as follows:

(a) (in respect of the Base Fee payable for the first semi-annual period for each financial year, including the period from and including the Listing Date to 30 June 2021) 10.0% of the Base Fee Distributable Income based on the interim unaudited financial statements of SF REIT for such period; or

(b) (in respect of the Base Fee payable for the second semi-annual period for each financial year) 10.0% of the Base Fee Distributable Income based on the audited financial statements of SF REIT for the financial year, minus the Base Fee for the immediately interim preceding period (if any).

The "**Base Fee Distributable Income**" in relation to any period is the amount of the Interim Distributable Income or the Annual Distributable Income (as applicable) calculated before accounting for the Base Fee and the Variable Fee payable for that period.

The Base Fee will be paid to the REIT Manager in cash or, at the election of the REIT Manager, entirely or partly in the form of Units. The REIT Manager shall make elections for the payment of the Base Fee in cash and/or Units, annually, on or before 15 January, in each calendar year by way of notice in writing to the Trustee and an announcement to Unitholders, such election to be irrevocable during the calendar year in which it was made. In the event that the REIT Manager does not make such an election in any calendar year, the most recent valid election made by the REIT Manager in a prior calendar year (if any) shall apply and, if there is no such prior calendar year election by the REIT Manager, the Base Fee shall be paid in cash. When paid in the form of Units, the REIT Manager shall receive such number of Units (rounded down to the nearest whole number) as may be purchased for the relevant amount of the Base Fee at a price equivalent to the price determined by the REIT Manager as being the average closing price of the Units during the five trading days immediately preceding the date on which the relevant Units are issued to the REIT Manager. Each of the Base Fee payable for the period from the Listing Date to 30 June 2021 and for the semi-annual period ending 31 December 2021 shall be paid in cash.

The issuance of Units to the REIT Manager for payment of the Base Fee shall not require Unitholders' approval if the total number of such Units for a financial year (together with other Units issued to the REIT Manager to settle its fees for the same financial year or a transaction during such year, except those Units issued pursuant to Unitholders' approval): (a) falls within the 20% (or such lower amount as may from time to time be specified by the SFC) of outstanding Units that the REIT Manager may issue in each financial year without Unitholders' approval under the REIT Code; and (b) does not exceed 3% (or such other percentage as may be considered to be appropriate by the SFC) of the total number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units (if any) issued in the relevant financial year for the purposes of financing any acquisitions of real estate by SF REIT. If the aforementioned Unitholders' approval is required but not obtained, the payment of that excess part of the Base Fee will be paid to the REIT Manager in the form of cash.

The REIT Manager shall submit an invoice with such computation of the Base Fee to the Trustee within 15 calendar days (or such later date as agreed by the REIT Manager and the Trustee) of the publication of the relevant financial statements of SF REIT for the relevant period. Any invoice submitted shall be subject to the review and clearance by the Trustee, and the Trustee shall pay the Base Fee to the REIT Manager within five calendar days of the Trustee's receipt of the REIT Manager's invoice.

The REIT Manager shall be entitled to alter the rate of the Base Fee to some smaller percentage than that provided by notice to the Trustee in writing, provided that the REIT Manager shall give written notice of any alteration of such rate to a higher percentage within the permitted limit to all Unitholders and the Trustee, not less than three months prior to the date of effect thereof.

Any increase in the rate of the Base Fee above the permitted limit or any change in the structure of the Base Fee shall not be implemented without the approval of a Special Resolution at a meeting of Unitholders, duly convened and held in accordance with the provisions of the Trust Deed. The REIT Manager may lower the rate of the Base Fee to some smaller percentage than the relevant permitted limit specified in the Trust Deed or, where relevant such other maximum percentage as approved by a Special Resolution in the manner mentioned in the Trust Deed. The REIT Manager may increase the rate of the Base Fee to a higher percentage that the REIT Manager proposes to charge from time to time provided that it is within the relevant permitted limit specified in the Trust Deed or, where relevant, such other maximum percentage as approved by a Special Resolution by giving at least one month's prior written notice to all Unitholders and the Trustee.

Variable Fee

With effect from and including the Listing Date, the REIT Manager will be entitled to receive for its own account out of the Deposited Property the amount of the Variable Fee accrued to it on an annual basis. The Variable Fee shall be calculated as 25.0% per annum of the difference in DPU in a financial year compared to the preceding financial year multiplied by the weighted average number of Units in issue for such financial year. No Variable Fee shall accrue or be payable for the period from the Listing Date to 31 December 2021. The Variable Fee for the year ending 31 December 2022 will be calculated by reference to the annualised actual DPU for the period from the Listing Date to 31 December 2021 and actual DPU for the year ending 31 December 2022.

For the purposes of calculating the Variable Fee only, DPU shall be calculated:

(a) before accounting for the Variable Fee but after accounting for the Base Fee for the relevant financial year;

(b) based on all income of SF REIT arising from its operations, such as but not limited to, rentals, interest, dividends and other similar payments or income arising from its investments, as reflected in the audited financial statements of SF REIT for the relevant financial year; and

(c) excluding any one-off income such as income arising from any sale or disposal of:

  (i) any real estate (whether directly or indirectly through one or more Special Purpose Vehicles) or any part thereof; and

  (ii) any investments forming part of the Deposited Property or any part thereof.

The Variable Fee will be paid to the REIT Manager in the form of cash or, at the election of the REIT Manager, be paid entirely or partly in the form of Units. The REIT Manager may make elections for the payment of the Variable Fee in cash and/or Units, annually, on or before 15 January, in each calendar year by way of notice in writing to the Trustee and an announcement to Unitholders, such election to be irrevocable during the calendar year in which it was made. In the event that the REIT Manager does not make such an election in any calendar year, the most recent valid election made by the REIT Manager in a prior calendar year (if any) shall apply and, if there is no such prior calendar year election by the REIT Manager, the Variable Fee shall be paid in cash. When paid in the form of Units, the REIT Manager shall receive such number of Units (rounded down to the nearest whole number) as may be purchased for the relevant amount of the Variable Fee at a price equivalent to the price as determined by the REIT Manager as being the average closing price of the Units during the five trading days immediately preceding the date on which the relevant Units are issued to the REIT Manager.

The issuance of Units to the REIT Manager for payment of the Variable Fee shall not require Unitholders' approval if the total number of such Units for a financial year (together with other Units issued to the REIT Manager to settle its fees for the same financial year or a transaction during such year, except those Units issued pursuant to Unitholders' approval): (a) falls within the 20% (or such lower amount as may from time to time be specified by the SFC) of outstanding Units that the REIT Manager may issue in each financial year without Unitholders' approval under the REIT Code; and (b) does not exceed 3% (or such other percentage as may be considered to be appropriate by the SFC) of the total number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units (if any) issued in the relevant financial year for the purposes of financing any acquisitions of real estate by SF REIT. If the aforementioned Unitholders' approval is required but not obtained, the payment of that excess part of the Variable Fee will be paid to the REIT Manager in the form of cash.

The Variable Fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the Variable Fee is payable may be less than the DPU in any financial year prior to the preceding financial year. For the avoidance of doubt, where the DPU in a financial year is less than the DPU in any preceding financial year, the REIT Manager shall not be required to return any Variable Fee paid to it in such preceding financial year.

The REIT Manager shall submit an invoice with such computation of the Variable Fee to the Trustee within 15 calendar days (or such later date as agreed by the REIT Manager and the Trustee) of the publication of the audited financial statements of SF REIT for the relevant financial year. Any invoice submitted shall be subject to the review and clearance by the Trustee and the Trustee shall pay the Variable Fee to the REIT Manager within five calendar days of the Trustee's receipt of the REIT Manager's invoice.

Any increase in the Variable Fee or any change in the structure of the Variable Fee must be approved by Unitholders by way of a Special Resolution.

Acquisition Fee

The REIT Manager is entitled to an Acquisition Fee (i) not exceeding the rate of 0.5% of the acquisition price of any real estate acquired from SFH Group; and (ii) not exceeding 1.0% of the acquisition price of any 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 is payable to the REIT Manager as soon as practicable after completion of the acquisition.

Any increase in the Acquisition Fee above the rate mentioned in the preceding paragraph or any change in the structure of the Acquisition Fee must be approved by Unitholders by way of a Special Resolution. The REIT Manager shall give Unitholders at least one month's prior written notice of any increase in the rate of the Acquisition Fee that the REIT Manager proposes to charge from time to time up to (but not exceeding) the rate mentioned in the preceding paragraph. The Acquisition Fee will be paid to the REIT Manager in the form of cash or, at the election of the REIT Manager, be paid entirely in the form of Units or partly in cash and partly in the form of Units. When paid in the form of Units, the REIT Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Acquisition Fee at the issue price of the Units issued to finance or part finance the acquisition of such real estate in respect of which the Acquisition Fee is payable or, where Units are not issued to finance or part finance such acquisition, at the issue price which is equal to the higher of:

(a) the volume weighted average price for all trades for a Unit on the Hong Kong Stock Exchange for the five trading days immediately prior to the date of entry into of the agreement for such acquisition;

(b) the volume weighted average price for all trades for a Unit on the Hong Kong Stock Exchange for the five trading days immediately prior to the date of the announcement in respect of such acquisition; and

(c) the volume weighted average price for all trades for a Unit on the Hong Kong Stock Exchange for the five trading days immediately prior to the date of completion of such acquisition,

in each case, rounded down to the nearest whole number of Units and with the remaining amount to be paid in the form of cash.

The issuance of Units to the REIT Manager for payment of the Acquisition Fee shall not require Unitholders' approval if the total number of such Units for a financial year (together with other Units issued to the REIT Manager to settle its fees for the same financial year or a transaction during such year, except those Units issued pursuant to Unitholders' approval): (a) falls within the 20% (or such lower amount as may from time to time be specified by the SFC) of outstanding Units that the REIT Manager may issue in each financial year without Unitholders' approval under the REIT Code; and (b) does not exceed 3% (or such other percentage as may be considered to be appropriate by the SFC) of the total number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units (if any) issued in the relevant financial year for the purposes of financing any acquisitions of real estate by SF REIT.

Divestment Fee

The REIT Manager is entitled to a Divestment Fee not exceeding the rate of 0.5% of the sale price of any real estate sold or divested directly or indirectly by SF REIT (pro-rated if applicable to the proportion of SF REIT's interest in the real estate sold). The Divestment Fee is payable as soon as practicable after completion of the divestment.

Any increase in the Divestment Fee above the rate mentioned in the preceding paragraph or any change in the structure of the Divestment Fee must be approved by Unitholders by way of a Special Resolution. The REIT Manager shall give Unitholders at least one month's prior written notice of any increase in the rate of the Divestment Fee that the REIT Manager proposes to charge from time to time up to (but not exceeding) the rate mentioned in the preceding paragraph. The Divestment Fee will be paid to the REIT Manager in the form of cash or, at the election of the REIT Manager, be paid entirely in the form of the Units or partly in cash and partly in Units. When paid in the form of Units, the REIT Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Divestment Fee at the issue price which is equal to the higher of:

(a) the volume weighted average price for all trades for a Unit on the Hong Kong Stock Exchange for the five trading days immediately prior to the date of entry into of the agreement for such divestment;

(b) the volume weighted average price for all trades for a Unit on the Hong Kong Stock Exchange for the five trading days immediately prior to the date of the announcement in respect of such divestment; and

(c) the volume weighted average price for all trades for a Unit on the Hong Kong Stock Exchange for the five trading days immediately prior to the date of completion of such divestment,

in each case, rounded down to the nearest whole number of Units and with the remaining amount to be paid in the form of cash.

The issuance of Units to the REIT Manager for payment of the Divestment Fee shall not require Unitholders' approval if the total number of such Units for a financial year (together with other Units issued to the REIT Manager to settle its fees for the same financial year or a transaction during such year, except those Units issued pursuant to Unitholders' approval): (a) falls within the 20% (or such lower amount as may from time to time be specified by the SFC) of outstanding Units that the REIT Manager may issue in each financial year without Unitholders' approval under the REIT Code; and (b) does not exceed 3% (or such other percentage as may be considered to be appropriate by the SFC) of the total number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units (if any) issued in the relevant financial year for the purposes of financing any acquisitions of real estate by SF REIT.

REIT Manager's Right to Reimbursement

The REIT Manager is entitled to apply, or to be reimbursed from, the Deposited Property (at such times and over such periods as the Trustee and the REIT Manager may determine in any particular case) for all liabilities that may be properly suffered or incurred by the REIT Manager in the performance of its obligations or the exercise of its powers under the Trust Deed, or otherwise arising out of or in connection with the Trust Deed or other constitutive documents save where such action, cost, claim, damage, expense or demand is caused by the fraud, negligence, wilful default, breach of trust, breach of the REIT Code, applicable laws or regulations, or breach of the Trust Deed or other constitutive documents, by the REIT Manager or any employee, officer, director, servant, agent or delegate of the REIT Manager of the REIT Code or other applicable laws or regulations, or breach of any constitutive documents of SF REIT (including the Trust Deed), including, to the extent permitted by the REIT Code or any applicable law, costs and expenses for promotion, roadshow, marketing, press conferences, luncheons, presentations, and public relations related fees, costs or expenses incurred in relation to any fund raising exercise by SF REIT or otherwise in connection with SF REIT, as permitted in the Trust Deed.

Retirement or Removal of the REIT Manager

The REIT Manager may retire as manager of SF REIT at any time after giving 60 calendar days' written notice, or any other period of notice as agreed to by the Trustee, to the Trustee provided that, and subject to:

(a) the REIT Manager selecting a new manager of SF REIT which is duly qualified under the REIT Code, licensed under the SFO, and acceptable to the Trustee, the SFC and the Hong Kong Stock Exchange; and

(b) the requirement in the REIT Code that such retirement will not adversely affect the interests of the Unitholders in any material respect.

The retirement of the REIT Manager will not be effective until the appointment of a new manager is effective pursuant to a deed of retirement and appointment amongst the Trustee, the REIT Manager and the new manager.

Also, the REIT Manager may be removed by prior notice given in writing by the Trustee if:

(a) the REIT Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets or a judicial manager is appointed in respect of the REIT Manager (or any analogous process occurs or any analogous person is appointed in respect of the REIT Manager);

(b) the REIT Manager ceases to carry on business;

(c) the REIT Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any material obligation imposed on the REIT Manager by the Trust Deed;

(d) the SFC withdraws its approval of the REIT Manager to act as the manager of SF REIT;

(e) an Ordinary Resolution is passed by the Unitholders to remove the REIT Manager (all Unitholders, including the REIT Manager and its associates, are entitled to vote their units on the Ordinary Resolution to remove the REIT Manager and be counted in the quorum for the purposes of passing such Ordinary Resolution); or

(f) for good and sufficient reason(s), the Trustee states in writing that a change in the REIT Manager is desirable in the interest of the Unitholders.

If the REIT Manager is removed by the Trustee in the circumstances mentioned above, the Trustee shall (with, for so long as SF REIT is authorised by the SFC, the Unitholders' approval by Ordinary Resolution and the prior written consent of the SFC) appoint another corporation to be the new manager of SF REIT.

In the event that the REIT Manager has given its written notice to retire, or an Ordinary Resolution to remove the REIT Manager is passed by the Unitholders, the REIT Manager undertakes to ensure the smooth and proper functioning of SF REIT during the time period (the "**Transition Period**") between the date of its notice of resignation, or the passing of the relevant resolution for the removal of the REIT Manager (as the case may be), and until a successor manager of SF REIT (the "**Successor REIT Manager**") has been duly appointed in accordance with the terms of the Trust Deed and the REIT Code and the effective date of the retirement, or removal (as the case may be) of the REIT Manager as specified in a notice to be issued by the Trustee.

During the Transition Period, the REIT Manager undertakes to:

(i) continue to manage and operate SF REIT and perform all customary day-to-day duties and obligations as the manager of SF REIT acting at all times in accordance with this Trust Deed and the REIT Code. The REIT Manager shall at all times during the Transition Period be subject to the applicable provisions of the Trust Deed and the REIT Code. For the avoidance of doubt, during the Transition Period, the REIT Manager will not be required to: (i) undertake any strategic review of SF REIT; (ii) make any material decision in relation to the strategies of SF REIT; (iii) initiate, propose, commit to or proceed with any investment or divestment, including but not limited to any disposals or acquisitions; or (iv) assist the Successor REIT Manager with its licensing obligations; and

(ii) during the Transition Period, fully cooperate and take all actions that the Trustee deems reasonably necessary in transferring any and all duties, obligations and contracts to a Successor REIT Manager.

For the avoidance of doubt, upon the effective date of the retirement or removal of the REIT Manager as specified in a notice to be issued by the Trustee, the REIT Manager shall be absolved and released from all duties, obligations, contracts and undertakings and shall not be required or compel to do, or cause to be done, any act or thing, or be responsible for any act or omission of the Successor REIT Manager or the Trustee (in its capacity as trustee of SF REIT) (but without prejudice to the rights of the Trustee or of any Unitholder, former Unitholder or other person in respect of any act or omission prior to such retirement or removal).

Notwithstanding the foregoing, SF REIT shall terminate if, for any reason, there is no manager of SF REIT for a period of more than 60 calendar days or such longer period as the Trustee considers appropriate. Please refer to the section headed "The Trust Deed – Termination of SF REIT" in this Offering Circular for details in respect of the termination of SF REIT.

Exclusion of Liability of the REIT Manager

In the absence of fraud, negligence, wilful default, breach of trust, breach of the REIT Code, applicable laws or regulations, or breach of the Trust Deed or other constitutive documents (to which it is a party) by the REIT Manager (or its subsidiaries) (including their respective directors, employees, servants, agents and delegates as well as any agents and delegates appointed by the Trustee at the direction of the REIT Manager), the REIT Manager and its subsidiaries shall not incur any liability by reason of any error of judgement or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed.In addition, the REIT Manager, its subsidiaries or any of their directors, employees, servants, agents or delegates shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which the REIT Manager, its subsidiaries or any of their respective directors, employees, servants, agents or delegates may be put to have recourse to the assets of SF REIT or any part thereof, save where such action, cost, claim, damage, expense or demand is caused by the fraud, negligence, wilful default, breach by the REIT Manager, its subsidiaries or any of their directors, employees, servants, agents or delegates of the REIT Code, applicable laws or regulations, the Trust Deed or other constitutive documents.

The REIT Manager has the general power and responsibility to manage the assets of SF REIT for the benefit of the Unitholders. To ensure that the Properties will continue to be managed properly and effectively, pursuant to its general powers of delegation under the REIT Code, the REIT Manager has delegated:

(a) in respect of the Foshan Property and the Wuhu Property, certain property management functions to the PRC Operations Managers, who are connected persons of SF REIT and shall provide (by itself or outsourcing) operations and property management services pursuant to the PRC Operations Management Agreements; and

(b) in respect of the Hong Kong Property, certain property management functions to the Hong Kong Property Manager, who is an independent third party of SF REIT and shall continue to provide (by itself or outsourcing) certain property management services pursuant to the Hong Kong Property Management Agreement.

THE PRC OPERATIONS MANAGERS

The PRC Operations Managers are Foshan Fengyutai Industrial Park Operation Management Co., Ltd.* (佛山市豐預泰產業園運營管理有限公司) with registered address at No. 22 Yuantangang, Northern side of Guanli Road, Nanhai District, Foshan, the PRC and Hefei Jietai Enterprise Management Co., Ltd.* (合肥市捷泰企業管理有限公司) with registered address at Room 902, 9/F, Zone B Comprehensive Building, Shunfeng Fengtai Industrial Park, No. 666 Zhenxing Road, Shushan District Economic Development Zone, Hefei, the PRC, which were established in the PRC on 4 January 2018 and 8 April 2019, respectively. They are both indirect wholly-owned subsidiaries of SFH and hence connected persons of SF REIT. Each of the PRC Operations Managers has entered into the PRC Operations Management Agreements with each of the PRC Property Companies, pursuant to which the PRC Operations Managers will provide (by itself or outsourcing) operations and property management services in respect of the relevant PRC Property to the corresponding PRC Property Company, subject to the oversight and supervision of the REIT Manager (acting on behalf of the PRC Property Companies) and in accordance with the principles set out therein.

The PRC Operations Management Agreements

Pursuant to the PRC Operations Management Agreement entered into between the Foshan Company (PRC) and the Foshan Operations Manager, and the PRC Operations Management Agreement entered into between the Wuhu Company (PRC) and the Wuhu Operations Manager on 1 May 2021, the PRC Operations Managers have agreed to provide (by itself or outsourcing), among other things, the following services with respect to the PRC Properties (being the "**PRC Operations Management Services**") for an initial term from the Listing Date to 31 December 2023 (which may be extended by parties' agreement upon expiry of the initial term):

(a) leasing and marketing management services including:

- managing the signing of new and renewed leases and act as the leasing agent in participating in negotiation of terms with tenants;

- implementing the marketing, advertising and publicity strategies of the REIT Manager in respect of the PRC Properties including the annual budget and objectives;

- finding potential tenants, tenant evaluation, monitoring the financial status of tenants, rent collection, tenant relationship management, handling renewals of leases and providing integrated value-added solutions to tenants;

- supervising the tenants' use of the relevant PRC Property and collecting rent and other charges (if any) from the tenant;

- implementing the rental policy formulated by the REIT Manager from time to time, and seeking the advice and approval of the REIT Manager before granting any preferential treatment to tenants other than the aforementioned rental policy; and

- assessing the state of the relevant PRC Property and reporting to the REIT Manager regularly.

(b) in the case where the relevant PRC Property Company has not yet engaged a property management company or needs to change the property management company, assisting the relevant PRC Property Company in selecting the property management company (if applicable);

(c) property management services (including maintenance and management of the premises and public facilities, cleaning and security, greening, decoration and renovation management, carpark management, cultural activities management, fire safety and public order maintenance services), and if the relevant PRC Property Company has engaged a third party for the aforementioned property management services, the relevant PRC Property Company will authorise the relevant PRC Operations Manager to manage such third party's provision of property management services;

(d) assisting the relevant PRC Property Company in applying, maintaining and renewing all necessary certificates, licences and permits for the operation of the relevant PRC Property, and ensuring compliance with applicable PRC laws and regulations;

(e) supervising the use of the relevant PRC Property by the tenants and demanding rent and other receivables from the tenants (if any);

(f) supervising and coordinating all renovation works (including general refurbishment and large-scale renovation) at the relevant PRC Property and assisting the relevant PRC Property Company and the REIT Manager to formulate asset enhancement and remodelling plans;

(g) implementing the asset enhancement and remodelling plans in respect of the relevant PRC Property as approved by the REIT Manager, including the design, request for tender, construction and quality inspection, and supervising the day-to-day maintenance and upkeep of the relevant PRC Property;

(h) assisting the relevant PRC Property Company in collecting operation income and other income;

(i) providing basic financial services such as financial accounting and settlement services to the relevant PRC Property Company;

(j) ensuring adequate and valid business insurance coverage in respect of the relevant PRC Property Company; and

(k) other operation services which are assigned in writing to the relevant PRC Operations Manager by the relevant PRC Property Company from time to time.

Each of the PRC Operations Managers has agreed to establish a ringfenced team for the purpose of performing the leasing and marketing management services set out in (a) above. Such team will be dedicated to the relevant PRC Property only and shall maintain strict confidentiality regarding all investment, lease terms and rent of the relevant PRC Property. The team shall be made up of personnel whose performance are measured by reference to certain metrics of SF REIT or the PRC Properties, effectively aligning the interests of the PRC Operations Managers with those of SF REIT and the Unitholders.

Under the PRC Operations Management Agreements, the PRC Operations Managers are entitled to receive from the PRC Property Companies an amount equivalent to 2% of the sum of the monthly rental income and property management fee (inclusive of VAT) of the respective PRC Property Companies (the "**PRC Operations Management Fee**"), payable on a monthly basis. Such PRC Operations Management Fee is determined based on arms' length negotiation, and is no less favourable than the fees independent third party operators would charge in comparison for provision of similar services. Such fee is not subject to any adjustments. The PRC Operations Managers will bear its operating costs and expenses and be subject to the ongoing supervision of the REIT Manager.

The REIT Manager will maintain overall supervision and monitoring of the performance of the PRC Operations Managers, which include inspecting the books and records kept by them. Under the PRC Operations Management Agreements, the PRC Operations Managers are required to submit to the REIT Manager monthly reports as an internal control procedure.

Any PRC Property Company may terminate the appointment of the respective PRC Operations Managers in the event that the PRC Operations Manager ceases to carry on business or there is a change in the ownership or control of the PRC Operations Manager (except within the group of companies of which the PRC Operations Manager is a member). A PRC Property Company may also terminate the appointment of the respective PRC Operations Manager in relation to the relevant Property under the management of the PRC Operations Manager in the event of the sale of that PRC Property Company or PRC Property.

The key personnel of the PRC Operations Managers have at least five years of experience in managing real estate. As advised by the PRC Legal Advisors, save for the business licence (企業法人營業執照) which had been obtained by the PRC Operations Managers at their respective establishment and updated following subsequent changes, the PRC Operations Managers do not currently need any licences to perform the PRC Operations Management Services pursuant to the arrangements under the PRC Operations Management Agreements according to the relevant PRC laws and regulations. The REIT Manager is of the view that the PRC Operations Managers have sufficient experience and are fit and proper to provide the PRC Operations Management Services. The PRC Operations Managers are capable of performing, and shall perform, their duties in relation to SF REIT independently and in the best interests of SF REIT and the Unitholders.

Arrangements to Mitigate Conflicts of Interest

The REIT Manager has the general power of management over the assets of SF REIT and has delegated the day-to-day property management functions to the Hong Kong Property Manager and the PRC Operations Managers. Given the PRC Operations Managers are indirectly wholly-owned by SFH and the PRC Operations Managers also manage and service other properties held by SFH in the PRC, the REIT Manager has put in place the following arrangements to mitigate potential conflicts of interest in relation to the management of the Properties:

Segregation of sensitive operational functions

As the PRC Operations Managers also provide services to properties and entities of SFH, the REIT Manager in mitigating potential conflicts has segregated certain sensitive operational functions, namely leasing and marketing functions, to be performed by a dedicated and ringfenced team within each PRC Operations Manager which shall be made up of personnel whose performance will be measured by reference to their efforts in the management of the PRC Properties only, effectively aligning the interests of the PRC Operations Managers with those of SF REIT and the Unitholders.

For the non-sensitive day-to-day property management functions for the PRC Properties, such as daily maintenance, cleaning and security, these will continue to be outsourced to third party property management service providers and/or carried out by the non-ringfenced teams at the PRC Operations Managers, who may provide similar services to properties held by the SFH Group (if currently applicable) and outsource such services to other service providers.

Notwithstanding this, the PRC Operations Managers shall remain accountable to the PRC Property Companies, and subject to the oversight and supervision of the REIT Manager in respect of these outsourced or sub-delegated services. The PRC Operations Managers may provide similar day-to-day property management services to the properties held by SFH, but the REIT Manager is of the view that given the nature of such services, this arrangement is unlikely to give rise to material business conflict concerns.

"Chinese Walls", Information Technology System, Reporting Lines and Segregated Office Space

To protect sensitive and confidential information with respect to the Properties, the PRC Operations Managers will (i) 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, such as the details of leases, from being used by SFH entities to the detriment of SF REIT; and (ii) in respect of the REIT Manager and the ringfenced teams of the PRC Operations Managers, operate out of an office space physically separated from the other companies of the SFH Group to further preserve the confidentiality of such information.

THE HONG KONG PROPERTY MANAGER

The Hong Kong Property Manager, Savills Property Management Limited with registered address at Room 805 - 813, 8/F, Cityplaza One, 111 King's Road, Taikoo Shing, Hong Kong, was incorporated in Hong Kong on 18 June 1986 and is a reputable professional property management company. It is an independent third party of SF REIT, has been managing the Hong Kong Property since 2017, and will continue to provide the Hong Kong Property Management Services to Goodear in respect of the Hong Kong Property after Listing.

The Hong Kong Property Management Agreement

Under the Hong Kong Property Management Agreement entered into between Goodear and the Hong Kong Property Manager on 13 July 2020 following a public tender, the Hong Kong Property Manager will provide (by itself or outsourcing) certain property management services in respect of the Hong Kong Property for a term of three years commencing from 1 June 2020 to 31 May 2023. Upon expiry of the subsisting Hong Kong Property Management Agreement, the REIT Manager will adopt approach which will be in the best interests of SF REIT and its Unitholders in selecting the new property manager in respect of the Hong Kong Property, which may or may not be by way of public tender.

The "**Hong Kong Property Management Services**" provided by the Hong Kong Property Manager include, among other things, daily maintenance, cleaning and security services, contractor management, tenant management, financial management and filing and records management services. Under the Hong Kong Property Management Agreement, the Hong Kong Property Manager will collect from the tenants of the Hong Kong Property management charges and other fees including but not limited to additional air conditioning charges. In addition, the salaries and benefits paid to the staff of the Hong Kong Property Manager servicing the Hong Kong Property shall be borne by Goodear.

The Hong Kong Property Manager is entitled to receive a monthly fee, which shall be paid by Goodear for the Hong Kong Property Management Services rendered with respect to the Hong Kong Property (collectively, the "**Hong Kong Property Management Fee**").

Under the Hong Kong Property Management Agreement, Goodear as the owner of the Hong Kong Property has the right to, among other things, supervise the work performed by the Hong Kong Property Manager, including by demanding that work be re-performed or suspending the Hong Kong Property Manager's services of the Hong Kong Property Manager at any time should it consider any part of the services to be inadequate. Acting on behalf of Goodear, the REIT Manager will be able to oversee and supervise the Hong Kong Property Manager through: (i) SF REIT's ownership of 100% interests in Goodear; and (ii) Goodear's rights under the Hong Kong Property Management Agreement. The Hong Kong Property Manager is required to submit to Goodear monthly reports which shall include: (a) a building operation report; (b) a building performance report; (c) issues log received from tenants; and (d) financial report.

The Hong Kong Property Manager's key personnel have at least five years of experience in managing real estate. The Hong Kong Property Manager does not currently need any licences to perform the Hong Kong Property Management Services pursuant to the Hong Kong Property Management Agreement in accordance with the relevant Hong Kong laws and regulations. The REIT Manager is of the view that the Hong Kong Property Manager has sufficient experience and is fit and proper to provide the Hong Kong Property Management Services.

For the avoidance of doubt, the Hong Kong Property Manager will not provide any services relating to letting, leasing or licensing of the Hong Kong Property, which will be performed by the key personnel of the REIT Manager, who have historically been managing the Hong Kong Property only and have at least five years of experience in managing real estate.

SFH

SFH is a leading integrated express logistics service provider in the PRC which is listed on the Shenzhen Stock Exchange (stock code: 002352.SZ). While its principal business is not in the investment in or development of real estate, it owns many logistics assets in the PRC and Hong Kong, many of which are being used and operated by its subsidiaries while others are leased to other tenants. As at 31 December 2020, SFH has property projects in 50 PRC cities, with total planned construction area of approximately 4.4 million square metres, and completed construction area of 1.7 million square metres. Many of these property projects are modern logistics properties which comprise integrated facilities primarily dedicated to the sorting, distribution and/or storage of goods.

As described in the section headed "Reorganisation, Structure and Organisation of SF REIT" in this Offering Circular, the entire shareholding in Golden Bauhinia (which holds the Properties) which is indirectly held as to 100% by the SFH, will be transferred to the Purchaser which is an indirect wholly-owned subsidiary of SF REIT.

SF Holding

SF Holding is a company incorporated in Hong Kong with limited liability which is wholly-owned by SFH. As at the Latest Practicable Date, SF Holding is principally engaged in investment holding and the principal offshore subsidiary of SFH. As at 31 December 2019, SF Holding has net assets of HK$8.0 billion.

SF Fengtai

SF Fengtai is a company incorporated in the BVI on 23 September 2020 with limited liability and is indirectly wholly-owned by SFH and SF Holding. Immediately following completion of the Global Offering, SF Fengtai will hold 35.0% of all the issued Units of SF REIT (if the Over-allotment Option is not exercised) or 31.8% of all the issued Units of SF REIT (if the Over-allotment Option is exercised in full), and therefore is a Substantial Unitholder of SF REIT. SF Fengtai is principally engaged in investment holding.

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of SF REIT in a transparent manner and with built-in checks and balances. The corporate governance policies of SF REIT have been adopted having due regard to the requirements under Appendix 14 to the Listing Rules, with necessary changes as if those rules were applicable to REITs. Set out below is a summary of the key components of the corporate governance policies that have been adopted and will be followed by the REIT Manager and SF REIT. Such policies may be amended by a simple majority vote of the Board.

AUTHORISATION STRUCTURE

SF REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by certain laws, regulations and documents including the provisions of the REIT Code and the Takeovers Code. The SFC does not take any responsibility for the financial soundness of SF REIT, or the correctness of any statements made or opinions expressed in this Offering Circular and/or other documents relating to SF REIT. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The REIT Manager has three persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code, at least one of whom is an executive Director of the REIT Manager pursuant to the requirements of section 125 of the SFO. At least one of the Responsible Officers shall be available at all times to supervise the REIT Manager's business of regulated activity, including asset and property management. Mr. Hubert CHAK, an Executive Director and the Chief Executive Officer, was approved by the SFC as an approved person of the REIT Manager pursuant to sections 104(2) and 105(2) of the SFO.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

ROLES OF THE TRUSTEE AND THE REIT MANAGER

The Trustee and the REIT Manager are independent of each other. The Trustee, in its capacity as trustee of SF REIT, is responsible under the Trust Deed for the safe custody of the assets of SF REIT on behalf of 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's role under the Trust Deed 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 interests of the Unitholders.

FUNCTIONS OF THE BOARD OF DIRECTORS OF THE REIT MANAGER

The Board comprises nine members, four of whom are independent non-executive Directors. The Board oversees the management of the REIT Manager's affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board exercises its general powers within the limits defined by its constitutional documents, with a view to ensuring that the REIT Manager discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the REIT Manager. In accordance with the REIT Code, the REIT Manager is required to act in the best interests of Unitholders, to whom it owes a fiduciary duty.

BOARD COMPOSITION

Pursuant to the REIT Manager's articles of association and corporate governance policy, independent non-executive Directors must be individuals who fulfil the independence criteria set out in the compliance manual adopted by the REIT Manager. Please refer to the section headed "The REIT Manager – The Board of Directors of the REIT Manager" in this Offering Circular.

The composition of the Board is determined using the following principles:

- the Chairman of the Board should be a non-executive Director;
- the Board should comprise Directors with a balance of skill, experience and diversity of perspectives appropriate for the requirements of SF REIT's business and should ensure that changes to its composition can be managed without undue disruption;
- the Board should have a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement;
- the Board should have a policy concerning diversity of the Board members which is appropriate for the requirements of SF REIT's business;
- at least three members of the Board, and after 30 June 2021 at least half of the members of the Board, should be independent non-executive Directors, and at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise;
- the re-election and further appointment of any independent non-executive Director serving on the Board for nine years shall be subject to a separate Unitholders' resolution;

- any person appointed to be an independent non-executive Director either to fill casual vacancy or as an additional Director shall hold office only until the next general meeting of SF REIT and shall then be eligible for re-election at that meeting. The re-election of any independent non-executive Director shall be approved by Unitholders by way of Ordinary Resolution; and

- every independent non-executive Director shall be subject to retirement by rotation at least once every three years. If any independent non-executive Director will have served as a independent non-executive Director for more than three years from time of his appointment or re-election until the next annual general meeting of SF REIT, without having been subject to retirement by rotation, such independent non-executive Director will be subject to retirement by rotation at such annual general meeting.

The positions of Chairman and the Chief Executive Officer are held by separate persons in order to maintain an effective segregation of duties. The Chairman leads the Board's discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintenance of effective communications with Unitholders. The Chief Executive Officer is responsible for the day-to-day management of the REIT Manager and SF REIT. The Chief Executive Officer executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of SF REIT's business through management reports.

The Board composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience and that the Directors being appointed have the relevant expertise and experience in discharging their duties.

Board Committees

The Board has the power to delegate to Board committees consisting of such members as it thinks fit in accordance with the articles of association of the REIT Manager. Four committees have been established to assist the Board in discharging its responsibilities. These Board committees have been set up with clear terms of reference to review specific issues or matters and then submit their findings and recommendations to the Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the Board and not the Board committees. The four Board committees are as follows:

Investment Committee

The Investment Committee comprises at least three members who must include the Chief Executive Officer and at least one independent non-executive Director. Upon Listing, the members of the Investment Committee will be NG Wai Ting, Hubert CHAK and CHAN Ming Tak, Ricky. NG Wai Ting will be the initial chairman of the Investment Committee. The

Investment Committee is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and/or disposals of assets, proposed Property Development and Related Activities (if applicable), capital management strategies (such as hedging activities), financing and refinancing arrangements, and investment and financial risks of the REIT Manager and SF REIT. The Investment Committee also reviews and recommends changes to financial authorities, and policies or procedures in relation to treasury management.

Audit Committee

The Audit Committee comprises at least three members who must be non-executive Directors (with majority of members being independent non-executive Directors). At least one of the members is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee must be chaired by an independent non-executive Director. Upon Listing, the members of the Audit Committee will be TAN Huay Lim, CHAN Ming Tak, Ricky, HO Lap Kee and KWOK Tun Ho, Chester. TAN Huay Lim, who has the appropriate professional qualifications or accounting or related financial management expertise, will be the initial chairman of the Audit Committee.

The Audit Committee is responsible for establishing and maintaining effective internal financial reporting system and internal control and risk management systems and ensuring the quality and integrity of financial statements. The Audit Committee is also responsible for the nomination of independent external auditor and reviewing the adequacy of external audit review in respect of cost, scope and performance. The Audit Committee also ensures the existence and working of effective system of internal control and risk managements, in respect of both the REIT Manager and SF REIT.

The Audit Committee's responsibilities also include:

(a) monitoring dealings of the Directors in accordance with any securities dealing policy adopted by the REIT Manager;

(b) reviewing all financial statements and all internal and external audit reports and developing and implementing a policy on the engagement of external auditor to supply non-audit services;

(c) ensuring the internal audit function is adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;

(d) assisting the Board in its monitoring of the overall risk management profile of the REIT Manager and SF REIT and setting guidelines and policies to govern risk assessment and risk management;

(e) reviewing and monitoring connected party transactions and related party transactions of SF REIT;

(f) reviewing the REIT Manager's and SF REIT's compliance with legal, ethical and regulatory requirements semi-annually; and

(g) reviewing and recommending to the Board on the REIT Manager's corporate governance policies and practices.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises at least three members with a majority of the members being independent non-executive Directors. The chairman of the Nomination and Remuneration Committee shall be the Chairman or an independent non-executive Director. Upon Listing, the members of the Nomination and Remuneration Committee will be HO Lap Kee, TAN Huay Lim, NG Wai Ting and KWOK Tun Ho, Chester. HO Lap Kee will be the initial chairman of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee's responsibilities include, among other things:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and its committees at least annually and making recommendations on any proposed changes to members of the Board and its committee to complement the REIT Manager's corporate strategy or for succession planning for Directors (in particular the Chairman and the Chief Executive Officer);

(b) developing the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

(c) assessing the independence of independent non-executive Directors;

(d) reviewing, implementing and monitoring on the REIT Manager's board diversity policy and referring to such board diversity policy when making recommendation on appointment or reappointment of Directors;

(e) reviewing, implementing and monitoring the nomination procedures of Directors;

(f) overseeing and establishing the overall compensation strategy and policies, pay level and manpower succession plan (including the terms and conditions of employment of all Directors);

(g) making recommendations to the Board on the remuneration and retirement policies and packages for Directors and ensuring that no Director is involved in deciding his own remuneration.

Disclosures Committee

The Disclosures Committee is appointed by the Board from among the Directors. The Disclosures Committee comprises three members, one of whom shall be an independent non-executive Director. Upon Listing, the members of the Disclosures Committee will be CHAN Ming Tak, Ricky, TAN Huay Lim and Ho Kap Kee. CHAN Ming Tak, Ricky will be the initial chairman of the Disclosures Committee. The role of the Disclosures Committee includes reviewing matters relating to the disclosure of information to Unitholders and public announcements to ensure that the disclosure of information is accurate, complete and not misleading.

The Disclosures Committee's responsibilities included:

(a) regularly reviewing and making recommendations to the Board on matters of corporate disclosure issues and applicable disclosure requirements for announcements, circulars and other corporate communications to Unitholders regarding (without limitation) financial reporting, connected party transactions, potential areas of conflicts of interest;

(b) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by and on behalf of SF REIT to the public and applicable regulatory bodies;

(c) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of SF REIT prior to such information being disseminated to the public or filed with applicable regulatory bodies, as applicable;

(d) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;

(e) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to the Unitholders;

(f) reviewing correspondence containing financial information broadly disseminated to the Unitholders; and

(g) reviewing and approving any announcement issued pursuant to 10.3 of the REIT Code.

CONFLICTS

All conflicts of interest shall be managed by the Board in accordance with the articles of association of the REIT Manager and applicable laws, rules and regulations. The REIT Manager shall ensure that all conflicts of interest relating to SF REIT shall be managed and avoided. The following measures are taken in that regard:

- the REIT Manager will be a dedicated manager to SF REIT and, unless with the approval of the SFC, the REIT Manager will not manage any REIT other than SF REIT nor manage other real estate assets other than those in which SF REIT has an ownership interest or investment;

- the REIT Manager will ensure that it will be able to function independently from its shareholders and the senior management of the REIT Manager will be employed by the REIT Manager on a full time basis and solely be dedicated to the operations of SF REIT;

- the REIT Manager has established procedures to deal with conflicts of interest under its compliance manual;

- the REIT Manager has established control procedures to ensure that connected party transactions between SF REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the waiver conditions imposed by the SFC) and that other potential conflicts of interest that may arise are monitored;

- all conflicts of interest involving a Substantial Unitholder or a Director, or a SF REIT connected person through such entities, will be required to be managed by a physical Board meeting rather than a written resolution and all independent non-executive Directors who, and whose associates, have no material interest in the matter should be present at such Board meeting; and

- a Director who has material interests in a matter which is the subject of a resolution proposed at a Board meeting of the REIT Manager shall abstain from voting on the resolution concerned and shall not be counted in the quorum at the Board meeting at which such resolution is proposed.

The REIT Manager has established internal control procedures intended to ensure that connected party transactions between SF REIT and its connected persons are monitored and are undertaken on terms in compliance with the REIT Code. All connected party transactions must be:

(a) carried out at arm's length, on normal commercial terms and in an open and transparent manner;

(b) valued, in relation to a property transaction, by an independent property valuer;

(c) consistent with SF REIT's investment objectives and strategy;

(d) on terms that are fair and reasonable and in the best interests of Unitholders;

(e) properly disclosed to Unitholders; and

(f) approved by the independent non-executive Directors (or a committee thereof) and, where the prior approval of Unitholders is required, the independent non-executive Directors (or a committee thereof) shall confirm, in a letter set out in the circular to Unitholders, whether the terms and conditions of the transaction are fair and reasonable and in the best interests of Unitholders and whether Unitholders should vote in favour of the resolution.

The REIT Manager must demonstrate to the independent non-executive Directors and the Audit Committee that all connected party transactions satisfy the foregoing criteria, which may entail (where practicable) obtaining quotations from independent third parties, or obtaining one or more valuation letters from independent professional valuers. Prior approval of Unitholders is required for connected party transactions where required under the REIT Code, subject to any waivers granted by the SFC. Save for the appointment or removal of the REIT Manager, a Unitholder is prohibited from voting its Units at, or being part of a quorum for, any meeting of Unitholders convened to approve any matter in which the Unitholder has a material interest in the business to be conducted and that interest is different from the interest of other Unitholders.

Under the Trust Deed, any Unitholder shall be prohibited from voting its own Units at, or being counted in the quorum for, a meeting at which it has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by: (a) the REIT Manager, where the Unitholder concerned is not a connected person related to the REIT Manager; or (b) the Trustee, where the Unitholder concerned is a connected person related to the REIT Manager, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase its holdings of Units by more than its pro rata share. After the Listing Date, where required under the REIT Code, the Takeovers Code or the applicable provisions of the Listing Rules, the REIT Manager and its connected persons shall abstain from voting in relation to the relevant issuance of new Units. The REIT Manager and its connected persons shall also abstain from voting in relation to any proposal on the termination or merger of SF REIT if such proposal is recommended by the REIT Manager, and the REIT Manager (and its Directors, chief executives and associates (as defined in the REIT Code)) hold interests in the Units and their interest (at the sole determination of the Trustee) in the termination or merger of SF REIT is different from that of all other Unitholders.

It is also provided in the Trust Deed that, as and to the extent required by the REIT Code or any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time or upon request in writing by the REIT Manager, the Trustee shall take actions or commence proceedings on behalf of SF REIT as necessary, including against any connected persons of the Trustee in relation to any transactions or agreements entered into by the Trustee for and on behalf of SF REIT with such persons provided that in the event of any action against the connected persons of the Trustee, the Trustee shall act upon the REIT Manager's request and instructions. Notwithstanding the foregoing, the REIT Manager shall inform the Trustee as soon as it becomes aware of any breach by a connected person of the Trustee of any agreement or transaction entered into by SF REIT (or by the Trustee or the REIT Manager for and on behalf of SF REIT) with such connected person and the REIT Manager may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of the Unitholders.

MANAGEMENT OF BUSINESS RISK

To mitigate business risk, the Board (by itself or acting through the Audit Committee) will meet semi-annually to review risks to the assets and business of SF REIT and will consider and, if appropriate, act upon any comments from the auditor of SF REIT. The management of the REIT Manager will also meet semi-annually to review the operations of SF REIT and discuss continuous disclosure issues.

GENERAL MEETINGS

SF REIT will in each calendar year hold an annual general meeting in addition to any other general meetings in that year. The Trustee or the REIT Manager may at any time convene a meeting of Unitholders. The REIT Manager will also convene a meeting of Unitholders if requested in writing by not less than two Unitholders registered as holding together not less than 10% of the Units for the time being in issue and outstanding. Notice of 14 calendar days or 10 clear business days (whichever is longer) at the least, will be given to Unitholders for general meeting except that notice of 20 clear business days at the least will be given to Unitholders for an annual general meeting, and the notice will specify the time, and place of the meeting and the terms of any resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25.0% of the Units for the time being in issue and outstanding. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy, regardless of the number of Units held by them.

REPORTING AND TRANSPARENCY

SF REIT will prepare its accounts in accordance with IFRS with a financial year end of 31 December and a financial half-year end of 30 June. In accordance with the REIT Code, the annual report and accounts for SF REIT will be published and sent to the Unitholders and filed with the SFC no later than four months following each financial year-end of SF REIT and the semi-annual reports no later than three months following the end of the period it covers.

The REIT Manager shall ensure that a full valuation of each of SF REIT's real estate (whether held directly by the Trustee or indirectly through a Special Purpose Vehicle) shall be conducted by a principal valuer appointed in accordance with the Trust Deed at least once a year the first valuation being as at 31 December 2021, and may require the principal valuer to carry out additional valuations or inspections at such other dates as the REIT Manager may determine in its sole discretion. The REIT Manager shall also ensure that the principal valuer shall produce a valuation report: (i) on real estate to be acquired or sold by SF REIT; (ii) on non-cash consideration in the nature of real estate which is to be received for the issue of Units in accordance with the Trust Deed; or (iii) in any other circumstance prescribed by the REIT Code, subject to any waivers granted by the SFC.

The REIT Manager shall keep the Unitholders informed of any material information pertaining to SF REIT in a timely and transparent manner as required by the REIT Code and the provisions of Part XIVA of the SFO shall have effect, mutatis mutandis, as if SF REIT is a "listed corporation" and if the board of directors of the REIT Manager are the board of directors of a "listed corporation".

As required by the REIT Code, the REIT Manager will inform Unitholders as soon as reasonably practicable of any information or transaction concerning SF REIT which: (a) is necessary to enable Unitholders to appraise the position of SF REIT; or (b) is necessary to avoid a false market in the Units; or (c) might be reasonably expected to materially affect market activity in SF REIT or affect the price of the Units; or (d) requires Unitholders' approval.

The REIT Manager will also issue circulars to Unitholders in respect of transactions that, pursuant to the REIT Code (or in the reasonable opinion of the Trustee or the REIT Manager), require Unitholders' approval or circulars in respect of material information in relation to SF REIT, in accordance with the Trust Deed.

INTERESTS OF, AND DEALINGS IN UNITS BY DIRECTORS, THE REIT MANAGER OR THE SUBSTANTIAL UNITHOLDERS

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code containing rules on dealings by the Directors and the REIT Manager equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to this code, all Directors, executives and employees of the REIT Manager, subsidiaries of the REIT Manager or the Special Purpose Vehicles who, because of his/her office or employment in the REIT Manager, the relevant subsidiaries of the REIT Manager or the relevant Special Purpose Vehicles, is likely to be in possession of unpublished price sensitive information in relation to the securities of SF REIT ("**Management Persons**") wishing to deal in the Units must first have regard to provisions in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct as if those provisions applied to the securities of SF REIT. In addition, a Management Person must not make any unauthorised disclosure of confidential information, whether to co-trustee or to any other person (even those to whom he/she owes a fiduciary duty) or make any use of such information for the advantage of himself/herself or others.

Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules as if applicable to SF REIT or any connected party transactions under the REIT Code or any inside information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable rules and regulations. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not so privy that there may be inside information and that they must not deal in SF REIT's securities for a similar period.

A Management Person must not deal in any of the securities of SF REIT on any day on which SF REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional. In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the code containing rules on dealings by the Management Person adopted by the REIT Manager.

The REIT Manager is subject to the same dealing requirements as the Directors under the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (mutatis mutandis). The REIT Manager has also adopted procedures for monitoring of disclosure of interests by Directors and the chief executive of the REIT Manager, and the REIT Manager. The provisions of Part XV of the SFO are deemed to apply to the REIT Manager, the Directors and the chief executive of the REIT Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5% or more of the Units in issue, and the Directors and the chief executive of the REIT Manager with an interest in the Units, will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange and the REIT Manager of their holdings in SF REIT. The REIT Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the REIT Manager. For further details of the Trust Deed, see the section headed "The Trust Deed" in this Offering Circular.

Subject to the provisions of the Trust Deed and without in any way affecting the generality of the provisions of the Trust Deed, where the Trustee or the REIT Manager believes that a Unitholder may be a Substantial Unitholder, the Trustee (on the instructions of the REIT Manager in writing) has the power to require the Unitholder to promptly disclose to the Trustee and the REIT Manager all of the legal, beneficial and equitable interests in Units held by the Unitholder and such other persons whose holdings of Units would be taken into account in determining whether the Unitholder is a Substantial Unitholder. Without prejudice to the above, the Trustee shall have the power to require any Unitholder to promptly disclose to the Trustee all of the Unitholder's beneficial interests in Units.

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Special Resolution. For further information, please refer to the section headed "The Trust Deed – Meetings of Unitholders" in this Offering Circular.

The Trust Deed is a complex document and the following is a summary only of the provisions of the Trust Deed, in addition to related information. A copy of the Trust Deed is available for inspection at the registered office of the REIT Manager at Room 2002, 20/F, Lee Garden Six, 111 Leighton Road, Causeway Bay, Hong Kong.

The Trustee of SF REIT is DB Trustees (Hong Kong) Limited, a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

THE TRUST DEED

SF REIT is a REIT constituted and governed by the Trust Deed entered into between the REIT Manager and the Trustee, dated 29 April 2021 and as amended and restated from time to time. Following the Listing, SF REIT will be regulated by the Applicable Rules.

The relevant provisions of the Trust Deed shall be binding on the Trustee, the REIT Manager and each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contained covenants on the part of each Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may require the REIT Manager and/or the Trustee to do.

The provisions of the Applicable Rules prescribe certain rights, duties and obligations of the REIT Manager, the Trustee and the Unitholders that have been included in the Trust Deed.

REIT STRUCTURE

SF REIT is established in the form of a unit trust under Hong Kong law to invest primarily in real estate (either directly or indirectly through special purpose vehicles). The REIT Manager must manage SF REIT so that at least 75% of the Gross Asset Value of the Deposited Property is invested in real estate that generates recurrent rental income at all times as required under the REIT Code. For further details of the investment objectives and policies of the REIT Manager, please refer to the section headed "Strategy" in this Offering Circular. The assets of SF REIT and income arising from those assets will be held by the Trustee on trust for the benefit of the REIT Manager initially and, upon issuance of Units, for the benefit of the Unitholders *pari passu* according to the number of Units held by each Unitholder, subject to the terms and conditions of the Trust Deed.

THE UNITS AND UNITHOLDERS

The rights and interests of Unitholders are contained in the Trust Deed. Under the Trust Deed, the Trustee must exercise all due diligence and vigilance in carrying out its functions and duties and in protecting the rights and interests of Unitholders.

Each Unit represents an undivided share in SF REIT. A Unitholder has no equitable or proprietary interest in the underlying assets of SF REIT and is not entitled to the transfer to him of any asset (or any part thereof) or any estate or interest in any asset (or any part thereof) of SF REIT.

Unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, obligations, authority or discretion of the REIT Manager or the Trustee to the extent those rights, powers, obligations, authority or discretion are properly exercised or performed under the Trust Deed, claim or exercise any right in respect of the Deposited Property or any part thereof or lodge any caveat or other notice affecting the Deposited Property or any part thereof, or require that all or any part of the Deposited Property be transferred to such Unitholder.

ISSUE OF UNITS AND/OR CONVERTIBLE INSTRUMENTS AND ISSUE PRICE

The Units will be listed and quoted in Hong Kong Dollars. The following is a summary of the provisions of the Trust Deed relating to the issue of Units.

The REIT Manager has the exclusive right to effect, for the account of SF REIT, the creation and issue of Units and/or Convertible Instruments in accordance with the Trust Deed and subject to the provisions of the REIT Code and any other applicable laws and regulations. The issue of Units on the Listing Date for the purpose of the Global Offering shall be at an issue price determined on the basis disclosed in this Offering Circular.

After the Listing Date, new Units and/or Convertible Instruments may be offered on a pro rata basis as a rights issue without the prior approval of Unitholders other than where any such issue together with such Convertible Instruments (assuming full conversion) would increase the market capitalisation of SF REIT by more than 50.0% (on its own or when aggregated with any other pro rata issue of Units under the Trust Deed or open offer announced by SF REIT, (a) within the 12-month period immediately preceding the announcement of the proposed rights issue; or (b) prior to such 12-month period where dealing in respect of Units issued pursuant thereto commenced within such 12-month period, together with any Convertible Instruments (assuming full conversion) granted or to be granted to Unitholders as part of such pro rata issues or open offers), in which case such issue shall require the prior approval of Unitholders by Ordinary Resolution.

Subject to certain restrictions in the Trust Deed regarding the issue of new Units to a connected person and the REIT Code, after the Listing Date, Units may be issued, or agreed (conditionally or unconditionally) to be issued, in any financial year (whether directly or pursuant to any Convertible Instruments), otherwise than on a pro rata basis to all existing Unitholders, without the approval of Unitholders, if:

(a) the total number of new Units issued, or agreed (conditionally or unconditionally) to be issued, in that financial year pursuant to this paragraph, without taking into account:

(i) any new Units issued or issuable in that financial year pursuant to any Convertible Instruments issued (whether in that or any prior financial year) pursuant to and in compliance with this paragraph, to the extent that such new Units are covered by the aggregate number of new Units contemplated under paragraph (b) below at the Relevant Date applicable to the relevant Convertible Instruments;

(ii) such number of new Units issued or issuable pursuant to any such Convertible Instruments or any agreement referred to in sub-paragraph (a)(iii) below, in each case as a result of adjustments arising from the consolidation or sub-division or re-designation of Units;

(iii) any new Units issued in that financial year pursuant to any agreement for the issuance of Units, to the extent that such new Units were previously taken into account in the calculation made under this sub-paragraph (a) (whether in that or any prior financial year) at the Relevant Date applicable to that agreement;

(iv) any new Units issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and in respect of which the specific prior approval of Unitholders, in accordance with the relevant requirements hereunder and under applicable laws and regulations (including the REIT Code), has been obtained; and/or

(v) any new Units issued or issuable in that financial year pursuant to any reinvestment of distribution made in accordance with the Trust Deed;

plus:

(b) (i) the maximum number of new Units issuable at the initial issue price pursuant to any Convertible Instruments issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and whose Relevant Date falls within that financial year; and

(ii) the maximum number of any other new Units which may be issuable pursuant to any such Convertible Instruments as at the Relevant Date thereof as estimated or determinable by the REIT Manager in good faith and using its best endeavours and based on such assumptions as may be considered appropriate by the REIT Manager and confirmed in writing to the Trustee and the SFC, having regard to the relevant terms and conditions of such Convertible Instruments (including any additional new Units issuable under any adjustment mechanism thereunder other than adjustments arising from the consolidation or sub-division or re-designation of Units);

does not increase the number of Units that were outstanding at the end of the previous financial year (or, in the case of an issue of, or an agreement (whether conditional or unconditional) to issue, Units or Convertible Instruments during the first financial year, the number of Units that were outstanding as at the Listing Date) by more than 20.0% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC) (the "**Percentage Threshold**") provided that such Percentage Threshold in terms of number of Units shall, in the event of any consolidation or sub-division or re-designation of Units during that financial year, be proportionally adjusted to give effect to such consolidation, sub-division or re-designation of Units.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Units exceeding the Percentage Threshold will require specific prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the REIT Manager in accordance with the provisions of the Trust Deed.

Any issue, grant or offer of Units or Convertible Instruments to a connected person will, where specified under the REIT Code, require specific prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the REIT Manager in accordance with the provisions of the Trust Deed.

The REIT Manager may, in its discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses are outside Hong Kong if the REIT Manager considers such exclusion to be necessary or expedient having regard to the relevant legal restrictions or requirements. In such event, the rights or entitlement to the Units of such overseas Unitholders will be offered for sale by the REIT Manager as the nominee and authorised agent of each such relevant Unitholder in such manner and at such price, as the REIT Manager may determine. Where necessary, the Trustee shall have the discretion to impose such other terms and conditions in connection with such sale. The proceeds of any such sale, if any, will be paid to the successful Unitholders.

BUY-BACK AND REDEMPTION OF UNITS

Unitholders have no right to demand for the buy back or redemption of their Units. The REIT Manager must not buy back or redeem any Units unless it is permitted to do so by the relevant codes and guidelines issued by the SFC from time to time (including but not limited to the Takeovers Code and the circular to management companies of SFC-authorised REITs titled "On-market Unit Repurchases by SFC-authorised REITs" dated 31 January 2008). Any buy-back or redemption of Units by the REIT Manager during such time must be effected in accordance with such codes and guidelines.

PUBLIC FLOAT REQUIREMENT

The REIT Manager shall use best efforts to ensure that a minimum of 25.0% (or such other higher or lower percentage as may be permitted by the REIT Code or as may be specifically permitted by the relevant authorities) (the "**Public Float Percentage**") of the outstanding Units are held in public hands. In the event that the REIT Manager becomes aware that the percentage of the outstanding Units in the public hands has fallen below the Public Float Percentage, the REIT Manager shall use its best efforts to restore the percentage of Units held in public hands to at least the Public Float Percentage. The REIT Manager shall adopt proper internal procedures for monitoring the public float and shall notify the Trustee, the SFC and the Hong Kong Stock Exchange (if so required) promptly if the percentage falls below the Public Float Percentage and issue an announcement regarding the same.

RIGHTS AND LIABILITIES OF UNITHOLDERS

The key rights of Unitholders include rights to:

(a) receive income and other distributions attributable to the Units held;

(b) receive audited accounts and the annual reports and semi-annual reports of SF REIT; and

(c) participate in the termination of SF REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of SF REIT, in accordance with their proportionate interests in SF REIT.

No Unitholder has a right to require that any of the Deposited Property or any part of the Deposited Property be transferred to him.

Further, Unitholders shall not give any directions to the REIT Manager or the Trustee (whether at a meeting of Unitholders convened pursuant to the Trust Deed or otherwise) if it would require the Trustee or the REIT Manager to do or omit doing anything which may result in:

(a) SF REIT ceasing to comply with the REIT Code or the Listing Rules or the Trust Deed or any applicable rules to SF REIT; or

(b) the exercise of any discretion expressly conferred on the Trustee or the REIT Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the REIT Manager; provided that nothing in this paragraph shall limit the right of a Unitholder to require the proper operation of SF REIT in accordance with the Trust Deed or the compliance by the Trustee or the REIT Manager with their respective obligations under the Trust Deed.

A Unitholder shall not be liable to the REIT Manager or the Trustee to make any further payments to SF REIT after he has fully paid the consideration to subscribe for or acquire his Units or to accept any liability in respect of his Units. These provisions seek to ensure that if the issue price of the Units held by a Unitholder has been fully paid, no such Unitholder, by the sole reason of being a Unitholder, be personally liable to indemnify the Trustee or any creditor of SF REIT in the event that the liabilities of SF REIT exceed its assets.

INVESTMENT RESTRICTIONS

Subject to the requirements and exceptions under the REIT Code, the REIT Manager shall ensure that the following investment restrictions are complied with:

(a) subject as provided in the Trust Deed, no investment shall be made by SF REIT which would result in non-compliance with the REIT Code (unless waived by the SFC), any applicable laws and regulations, the Trust Deed or applicable investment restrictions in the Listing Rules (if any), applicable laws and regulations and the Trust Deed;

(b) SF REIT may only invest in Authorised Investments and other investments permitted by the REIT Code;

(c) SF REIT shall not invest in vacant land unless the REIT Manager has demonstrated that such investment is part-and-parcel of Property Development and Related Activities (but subject to the applicable provisions in the Trust Deed pertaining to joint ownership) and within the investment objective or policy of SF REIT;

(d) SF REIT shall not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person nor shall any part of the Deposited Property be used to secure the indebtedness of any person or any obligations, liabilities or indebtedness, without the prior written consent of the Trustee;

(e) SF REIT shall not acquire any investment which involves the assumption of any liability that is unlimited;

(f) SF REIT shall hold each investment (which is in the nature of a particular piece of real estate or shares in any Special Purpose Vehicle or Joint Venture Entity holding interest in a particular piece of real estate, other than a Non-qualified Minority-owned Property) for a period of at least two years from the date of the completion of its acquisition (or if SF REIT engages in Property Development and Related Activities, from the date that such Property Development and Related Activities in respect of that investment is completed), unless the REIT Manager has clearly communicated to the Unitholders the rationale for disposal prior to the expiry of such period and the Unitholders approve the disposal of such investment by Special Resolution at a meeting to be duly convened and held in accordance with the Trust Deed, or save as may be permitted under the REIT Code and/or other published guidelines, policies, practice statements or other guidance issued by the SFC from time to time;

(g) save as may be permitted under the REIT Code and/or other published guidelines, policies, practice statements or other guidance issued by the SFC from time to time and subject to sub-paragraph (k) below, the value of SF REIT's holding of the Relevant Investments issued by any single group of companies shall not exceed 10% of the Gross Asset Value of the Deposited Property at any time;

(h) save as may be permitted under the REIT Code and/or published guidelines, policies, practice statements or other guidance issued by the SFC from time to time and subject to sub-paragraph (k) below, the value of SF REIT's holding of any Non-qualified Minority-owned Property shall not exceed 10% of the Gross Asset Value of the Deposited Property at any time;

(i) save as may be permitted under the REIT Code and/or published guidelines, policies, practice statements or other guidance issued by the SFC from time to time and subject to sub-paragraph (k) below, the value of SF REIT's holding of all other ancillary investments (as defined in the REIT Code and/or other published guidelines, policies, practice statements or other guidance issued by the SFC from time to time) shall not exceed 10% of the Gross Asset Value of the Deposited Property at any time;

(j) subject to sub-paragraph (k) below, the REIT Manager, on behalf of SF REIT, may engage or participate in Property Development and Related Activities only if the Aggregate Development Costs of all Property Development and Related Activities shall not exceed the maximum limit of 25% of the Gross Asset Value of the Deposited Property ("**Property Development Cap**"); and

(k) save as may be permitted under the REIT Code and/or published guidelines, policies, practice statements or other guidance issued by the SFC from time to time, the combined value of: (a) all Relevant Investments of SF REIT; (b) all Non-qualified Minority-owned Properties of SF REIT; (c) other ancillary investments of SF REIT; and (d) all of the Aggregate Development Costs of SF REIT, shall not exceed the Maximum Cap at any time.

"Authorised Investments" comprise: (i) real estate (including Minority-owned Properties) as permitted under the REIT Code; (ii) assets incidental to the ownership of real estate including, without limitation, furniture, carpets, furnishings, machinery and plant and equipment installed or used or to be installed or used in or in association with any real estate; (iii) any improvement or extension of or addition to or reconstruction or renovation or other development of any real estate (including Property Development and Related Activities); (iv) Relevant Investments; (v) cash and cash equivalents; (vi) shares in the issued share capital of, and loans to, any Special Purpose Vehicle or Joint Venture Entity and any goodwill and other intangible assets acquired in relation to the acquisition of such Special Purpose Vehicle or Joint Venture Entity (as the case may be); (vii) any other assets or investments as permitted by the REIT Code from time to time; and (viii) investments in relation to arrangements for the purposes of enhancing the return on, or reducing the risks associated with, the Authorised Investments contemplated above, or of other investments, or in respect of SF REIT generally, including investments in the form of derivative instruments for hedging purposes, in each case whether held directly by the Trustee or indirectly through a Special Purpose Vehicle or, where applicable, Joint Venture Entity or otherwise pursuant to the Trust Deed.

The REIT Manager shall ensure that each Special Purpose Vehicle and, where applicable, Joint Venture Entity shall comply with the requirements set out in the Trust Deed but, for the avoidance of doubt, notwithstanding any provision in the Trust Deed, the REIT Manager and the Trustee shall, in respect of Non-qualified Minority-owned Properties, exercise due care and skill to comply with the general requirements under the REIT Code unless such matters are not within their control.

VALUATION OF INVESTMENTS

The REIT Manager shall ensure that all valuations made by Approved Valuers pursuant to the Trust Deed shall be carried out in good faith in accordance with market practice on such basis as the Approved Valuers respectively may determine to be appropriate, subject always to the terms of the Trust Deed and the provisions of the REIT Code. The valuation methodology for valuation of real estate shall follow the "Valuation Standards on Properties" published from time to time by the Hong Kong Institute of Surveyors or the International Valuation Standards issued from time to time by the International Valuation Standards Council. Once adopted, the same valuation standards shall be applied consistently to all valuations of the real estate.

In relation to any investment which is not in the nature of real estate, the REIT Manager when making any recommendation to the Trustee as to the valuer thereof shall have regard to the particular nature of such investment which is the subject of the valuation, recommendation or report.

The REIT Manager shall determine the NAV of the Deposited Property based upon the Approved Valuer's or, where applicable, JV Valuer's valuation of real estate and the value of other Deposited Property (in accordance with the methodology stated in the Trust Deed), less the liabilities of SF REIT.

The Trustee shall take all reasonable care to ensure that the NAV of the Deposited Property and NAV of the Deposited Property per Unit (being the NAV of the Deposited Property divided by the number of Units then in issue) is calculated by the REIT Manager in accordance with the Trust Deed as and when an annual valuation report of SF REIT's real estate is issued by an Approved Valuer or, where applicable, the JV Valuer for the relevant period, and that such NAV of the Deposited Property and NAV of the Deposited Property per Unit shall be published in the annual report for SF REIT.

JOINT OWNERSHIP

The REIT Manager may, where it considers it to be in the best interests of Unitholders, invest the assets of SF REIT in real estate where SF REIT has less than 100% ownership and control. SF REIT may invest in jointly owned real estate (including Minority-owned Properties) via a Joint Venture Entity as permitted by and subject to the REIT Code. For the avoidance of doubt, SF REIT may invest in jointly owned real estate in which SF REIT will not have majority ownership and control (as defined in the REIT Code and/or other published guidelines, policies, practice statements or other guidance issued by the SFC) (a "**Minority-owned Property**"), provided that the combined value of: (i) all Minority-owned Properties, other than Qualified Minority-owned Properties (the "**Non-qualified Minority-owned Properties**"); (ii) all Relevant Investments; (iii) other ancillary investments of SF REIT; and (iv) all of the Property Development Costs together with the aggregate contract value of all uncompleted units of real estate acquired by SF REIT as permitted by the REIT Code, shall not exceed 25% (or such other higher or lower percentage as may be permitted by the REIT Code or as may be specifically permitted by the relevant authorities) of the Gross Asset Value of the Deposited Property (the "**Maximum Cap**") at any time.

Pursuant to paragraph 7.7C of the REIT Code, where a Minority-owned Property can satisfy, among other things, the following principles (subject to any waiver or exemption given by the SFC) (a "**Qualified Minority-owned Property**"), it may, subject to the SFC's approval, be excluded from the calculation of the Maximum Cap:

(i) the investment in such Minority-owned Property is in line with the REIT Manager's investment strategy and objective as set out in the section headed "Strategy" in this Offering Circular and in the best interests of Unitholders;

(ii) subject to customary pre-emptive rights and item (f) in the paragraph headed "Investment Restrictions" above, SF REIT has freedom to dispose of such investment;

(iii) at least 75% (or such other higher or lower percentage as may be permitted by the REIT Code or as may be specifically permitted by the relevant authorities) of the Gross Asset Value of the Deposited Property shall be invested in real estate that generates recurrent rental income at all times; and

(iv) there are proper safeguards or measures in place to increase the autonomy and influence of the REIT Manager over matters relating to the management of such Minority-owned Property to the extent allowed under applicable laws.

AMENDMENT OF THE TRUST DEED

The Trustee and the REIT Manager shall be entitled by supplemental deed and with the prior approval of the SFC to modify, alter or add to the provisions of the Trust Deed in such manner and to such extent as they may consider expedient for any purpose provided that:

(a) unless the Trustee certifies in writing that in its opinion such modification, amendment, variation, alteration or addition:

    (i) does not materially prejudice the interests of Unitholders, if so required, and does not operate to release to any material extent the Trustee or the REIT Manager from any responsibility to the Unitholders and does not increase the costs and charges payable from the Deposited Property (other than the costs, charges, fees and expenses incurred in connection with the supplemental deed); or

    (ii) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law) including, without limitation, requirements under any Applicable Rules; or

(iii) is necessary to correct a manifest error,

no such modification, amendment, variation, alteration or addition shall be made without the sanction of a Special Resolution; and

(b) no such modification, amendment, variation, alteration or addition to the Trust Deed shall impose upon any Unitholder any obligation to make any further payments in respect of his Units after he has fully paid the consideration to subscribe for or acquire his Units or to accept any liability in respect of his Units.

MEETINGS OF UNITHOLDERS

The REIT Manager shall at least once in every calendar year convene a general meeting of the Unitholders as the annual general meeting thereof in addition to any other meetings in that year and shall specify the meeting as such in the notice calling it. The annual general meeting shall be held at such time and place as the REIT Manager shall appoint and not less than 20 clear Business Days' notice in writing thereof shall be given to the Unitholders.

The Trustee or the REIT Manager may respectively (and the REIT Manager shall at the request in writing of not less than two Unitholders registered as together holding not less than 10.0% of the Units for the time being in issue and outstanding) at any time convene a meeting of Unitholders at such time or place in Hong Kong (subject as hereinafter provided) as the party convening the meeting may think fit and propose resolutions for consideration at such meeting. The REIT Manager shall determine the classification of the business of such meeting as special or ordinary in accordance with the REIT Code and the following provisions of the Trust Deed shall apply thereto.

At any meeting of Unitholders, the REIT Manager or a person nominated by the REIT Manager shall be the chairman of the meeting.

Except as otherwise provided for in the Trust Deed, 14 days' or 10 clear Business Days' notice (whichever is the longer) at the least (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting to be held shall be given to the Unitholders in the manner provided in this Deed. The notice shall specify the place, day and hour of meeting and the terms of the resolutions to be proposed thereat. A copy of the notice shall be sent by post to the Trustee unless the meeting shall be convened by the Trustee in which case a copy of the notice shall be sent by post to the REIT Manager. The accidental omission to give notice to or the non-receipt of notice by any of the Unitholders shall not invalidate the proceedings at any meeting.

At any meeting of Unitholders, two or more Unitholders present in person or by proxy registered as holding together not less than 10.0% of the Units for the time being in issue and outstanding shall form a quorum for the transaction of business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution shall be two or more Unitholders present in person or by proxy registered as holding together not less than

25.0% of the Units in issue and outstanding. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. Split proxies shall, for the avoidance of doubt, be permitted.

Any Unitholder shall be prohibited from voting his own Units at, or being counted in the quorum for, a meeting at which he has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the REIT Manager, (where the Unitholder(s) concerned is (are) not connected persons of the REIT Manager under the REIT Code) or the Trustee (where the Unitholder(s) concerned is (are) connected persons of the REIT Manager, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase his holdings of Units by more than his pro rata share, but excluding the appointment or removal of the REIT Manager.

At any meeting, a resolution put to the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which it is the Unitholder, provided such Units are fully paid up. Votes passed by a Unitholder in contravention of the REIT Code or Listing Rules shall not be counted. Where any Unitholder is, under the REIT Code, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of Unitholders in contravention of such requirement or restriction shall not be counted. An instrument of proxy may be in the usual common form or in any other form which the Trustee shall approve. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority shall be deposited at such place as the REIT Manager or the Trustee may in the notice convening the meeting direct, or if no such place is appointed then at the registered office of the Hong Kong Unit Registrar, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date stated in it as the date of its execution. Delivery of an instrument appointing a proxy shall not preclude a Unitholder from attending and voting at the meeting or poll concerned and, in such event, the instrument appointing the proxy shall be deemed to be revoked. A person appointed to act as a proxy need not be a Unitholder.

Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation so represented as the corporation could exercise if it were an individual Unitholder.

HKSCC Nominees (or any successor thereto) may appoint more than one proxy or corporate representative to attend and vote at Unitholders' meetings as if they were individual Unitholders and such representatives shall not be required to produce any documents of title or notarised authorisation in respect of such appointment. Where a Unitholder is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any Unitholders' meeting or any class of Unitholders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Units in respect of which each such person is so authorised. Each person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Unitholder.

Under the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Special Resolution. Such matters include: (a) changes in the REIT Manager's investment policies or strategies for SF REIT; (b) disposal of any of SF REIT's investment (which is in the nature of real estate or shares in any Special Purpose Vehicle holding interest in real estate) prior to the expiry of two years from the time of SF REIT's holding of such investment; (c) any increase in the rate above the permitted limit or change in structure of the REIT Manager's fees; (d) any increase in the rate above the permitted limit or change in structure of the Trustee's fees; (e) certain modifications of the Trust Deed; (f) termination of SF REIT; and (g) merger of SF REIT. Unitholders may also, by way of a Special Resolution, (i) remove SF REIT's auditors and appoint other auditors; or (ii) remove the Trustee.

Any decisions to be made by resolution of the Unitholders other than Special Resolutions or as specified otherwise in the Trust Deed or Applicable Rules, shall be made by Ordinary Resolution. Such matters to be made by Ordinary Resolution include, without limitation: (a) any issue of Units after the Listing Date which will require the approval of Unitholders pursuant to the Trust Deed and/or the Applicable Rules (please refer to the section headed "The Trust Deed – Issue of Units and/or Convertible Instruments and Issue Price" in this Offering Circular for details); (b) the appointment or removal of the REIT Manager; (c) the removal of the principal valuer of SF REIT; and (d) any connected party transaction entered into between any connected person and with SF REIT or any Special Purpose Vehicle.

POWERS, DUTIES AND OBLIGATIONS OF THE TRUSTEE

The Trustee's powers, duties and obligations are set out in the Trust Deed. These powers and duties include, but are not limited to:

(1) carrying out the instructions of the REIT Manager in respect of investments unless they are in conflict with this Offering Circular, the Trust Deed or other constitutive documents of SF REIT, the REIT Code or under other applicable law;

(2) ensuring that the Deposited Property is properly segregated and held for the benefit of the Unitholders in accordance with the provisions of the Trust Deed and any other relevant constitutive documents of SF REIT;

(3) overseeing the activities of the REIT Manager in accordance with and for compliance with the Trust Deed, other relevant constitutive documents of SF REIT and the regulatory requirements applicable to SF REIT; and

(4) ensuring that all the investment activities carried out by the REIT Manager are in line with the investment objective and policy of SF REIT and the constitutive documents of SF REIT and are in the interests of the Unitholders.

The Trustee shall exercise all due diligence and vigilance in carrying out its functions and duties and in protecting the rights and interests of Unitholders. In the exercise of its powers, the Trustee may (on the instruction of the REIT Manager in writing) and subject to the provisions of the Trust Deed, acquire and dispose of any Authorised Investments, borrow moneys and issue guarantees for the account of SF REIT and encumber any asset. However, the Trustee shall take all reasonable care to ensure that SF REIT (including, where relevant, a Special Purpose Vehicle or Joint Venture Entity) has good marketable legal and beneficial title to any real estate owned by SF REIT (including where relevant, a Special Purpose Vehicle or Joint Venture Entity) and that each of the contracts (such as property contracts, rental agreements, joint venture or joint arrangement agreements and any other agreements) entered into by the Trustee on behalf of SF REIT or as otherwise notified to the Trustee by the REIT Manager (including, where relevant, agreements entered into by a Special Purpose Vehicle or Joint Venture Entity) with respect to the investments is legal, valid and binding and enforceable by or on behalf of SF REIT (including, where relevant, a Special Purpose Vehicle or Joint Venture Entity) in accordance with its terms. It shall not acquire any investment which conflicts with the Trust Deed, the REIT Code or any applicable law or otherwise involves the assumption of any liability that is unlimited.

The Trustee shall be responsible for the appointment of the board of directors of all Special Purpose Vehicles and Joint Venture Entities but shall not be responsible for finding any suitable individuals or providing any person as such candidate or nominee director or directors. In appointing suitable nominees of the REIT Manager as directors of the Special Purpose Vehicle or the Joint Venture Entity, as the case may be, the Trustee may exercise discretion in refusing to appoint any nominee which the Trustee considers to be insufficiently qualified or in respect of whose integrity the Trustee is not satisfied.

The Trustee has the power but except for the purpose of complying with the REIT Code, shall not be under any obligation, to institute, acknowledge service of, appear in, prosecute or defend any action, suit, proceedings or claim in respect of the provisions of the Trust Deed or in respect of the Deposited Property or any part thereof, or in respect of any entitlement or interest of SF REIT or any corporate or Unitholders' action (which in its opinion would or might involve it in expense or liability), unless the REIT Manager shall so request in writing. As and to the extent required by the REIT Code or any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time or upon request in writing by the REIT Manager, the Trustee shall take actions or commence proceedings in its capacity as trustee of SF REIT as necessary including but not limited to action against any connected persons through the Trustee in relation to any transactions or agreements entered into by the Trustee in its capacity as trustee of SF REIT with such persons provided that the Trustee shall have discretion to refrain from taking actions or commencing proceedings after consultation with the REIT Manager if it considers in its absolute discretion that such action is not in the best interests of the Unitholders.

SF REIT may legally and beneficially acquire and own the issued share capital of any Special Purpose Vehicles in accordance with the REIT Code if the REIT Manager considers it necessary or desirable for SF REIT to do so, in which event the REIT Manager shall instruct the Trustee to, and the Trustee shall accordingly establish, subscribe for or acquire by transfer, or otherwise invest in its capacity as trustee of SF REIT a Special Purpose Vehicle provided that: (i) the Special Purpose Vehicle is wholly-owned by SF REIT; or there are sufficient and proper safeguards to address the risks arising from the non-wholly owned structure in the case where such Special Purpose Vehicle is not wholly-owned by SF REIT; (ii) such Special Purpose Vehicle is established for the sole purpose of holding real estate for SF REIT and/or arranging financing for SF REIT; and (iii) such investment is not in conflict with the Trust Deed, the REIT Code and other applicable laws, and to the extent required by the REIT Code, and unless otherwise generally or specifically permitted by the SFC, such Special Purpose Vehicle shall be incorporated or redomiciled in a jurisdiction which, in the opinion of the REIT Manager, has established laws and corporate governance standards which are commensurate with those observed by companies incorporated in Hong Kong.

SF REIT shall hold each investment (which is in the nature of real estate or shares in any Special Purpose Vehicle or Joint Venture Entity holding interest in a particular piece of real estate, other than a Non-qualified Minority-owned Property) for a period of at least two years from the date of the completion of its acquisition (or if SF REIT engages in Property Development and Related Activities, from the date that such Property Development and Related Activities in respect of that investment is completed), unless the REIT Manager has clearly communicated to the Unitholders the rationale for disposal prior to the expiry of such period and the Unitholders approve the disposal of such investment by Special Resolution at a meeting to be duly convened and held in accordance with the Trust Deed.

The Trustee may, subject to the provisions of the Trust Deed and for the purpose of carrying out and performing the duties and obligations on its part as trustee of the Trust, employ or engage any bankers, accountants, brokers, financial advisers, lawyers, tax advisers, Approved Valuers, computer experts and such other persons as may be necessary, usual or desirable for the purpose of exercising its powers and performing its obligations and all fees, charges and moneys payable to any such persons and all disbursements, expenses, duties and outgoings properly chargeable in respect thereof shall be paid out of the Deposited Property.

Although the Trustee may borrow money for the purpose of SF REIT, the Trustee shall take all reasonable care to ensure that the investment and borrowing provisions set out in the Trust Deed and the conditions under which SF REIT was authorised by the SFC pursuant to the SFO and the conditions under which the REIT Manager was licensed by the SFC to manage the Trust and notified to the Trustee are complied with. All borrowings shall be conducted at arm’s length and the terms shall be commensurate with those transactions of similar size and nature. No new borrowing or money raising shall be requisitioned or made by the REIT Manager under the Trust Deed if such borrowing or raising, together with the aggregate of all other borrowings or raisings made by the Trustee at the instruction of or made by the REIT Manager under the Trust Deed (in each case, whether directly or through Special Purpose Vehicles, and still remaining to be repaid), would in aggregate, exceed: (A) 50% (or such other percentages as may be permitted by the REIT Code or as may be specifically permitted by the relevant authorities) of the Gross Asset Value of the Deposited Property; or (B) such lower threshold as may be contractually agreed under any facility agreement.

SF REIT shall not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person nor shall any part of the Deposited Property be used to secure the indebtedness of any person or any obligations, liabilities or indebtedness, without the prior consent of the Trustee.

Neither the REIT Manager nor the Trustee shall be liable to account to any Unitholder for any such payment made or suffered by the REIT Manager or the Trustee (as the case may be) in good faith and in the absence of fraud, negligence, wilful default, a breach of the Trust Deed or a breach of trust (in the case of the Trustee) to any duly empowered fiscal authority of Hong Kong or elsewhere for taxes or other charges in any way arising out of or relating to any transaction or whatsoever nature under the Trust Deed notwithstanding that any such payments ought not to be, or need not have been, made or suffered. Any liability incurred and any indemnity to be given by the Trustee shall be limited to the assets of SF REIT over which the Trustee has recourse provided that the Trustee has acted without fraud, negligence, or wilful default, breach of trust, breach of the Trust Deed, or breach of any of the other constitutive documents to which the Trustee is a party, the REIT Code or applicable laws and regulations. The Trust Deed contains certain indemnities in favour of the Trustee under which it will be indemnified out of the assets of SF REIT for liability incurred, provided that the Trustee has acted without fraud, negligence, or wilful default, or breaches of the Trust Deed, breach of trust or breach of the constitutive documents (to which is a party) or breach of the Applicable Rules.

RETIREMENT AND REMOVAL OF THE TRUSTEE

The Trustee may retire or be removed under the following circumstances:

(a) The Trustee shall not be entitled to retire voluntarily except upon the appointment of a new trustee whose appointment is subject to the prior approval of the SFC. The retirement of the Trustee shall take effect at the same time as the new trustee takes up office as the trustee of SF REIT.

(b) The Trustee may be removed by prior notice in writing to the Trustee by the REIT Manager in any of the following events:

   (i) if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the REIT Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee (or any such analogous process occurs or any analogous person is appointed in respect of the Trustee);

   (ii) if the Trustee ceases to carry on business; or

   (iii) if the Unitholders by Special Resolution duly passed at a meeting of Unitholders held in accordance with the provisions contained in the Trust Deed.

TRUSTEE'S FEE

The remuneration of the Trustee shall comprise:

(i) a one-off acceptance fee as agreed between the Trustee and the REIT Manager of HK$180,000; and

(ii) in each financial year, an ongoing fee, the rate of which will be determined in accordance with the thresholds set out below, subject to a minimum amount of HK$66,000 per month:

	Value of Deposited Property	Fee Rate per Annum
(aa)	where the value of the Deposited Property is less than HK$5 billion	0.0250% per annum of the value of the Deposited Property (which may be increased from time to time to a maximum percentage of 0.06% per annum of the value of the Deposited Property)
(bb)	where the value of the Deposited Property is, or is greater than, HK$5 billion but less than HK$9 billion	0.0200% per annum of the value of the Deposited Property (which may be increased from time to time to a maximum percentage of 0.06% per annum of the value of the Deposited Property)
(cc)	where the value of the Deposited Property is, or is greater than, HK$9 billion but not exceeding HK$14 billion	0.0175% per annum of the value of the Deposited Property (which may be increased from time to time to a maximum percentage of 0.06% per annum of the value of the Deposited Property)
(dd)	where the value of the Deposited Property is, or is greater than HK$14 billion but not exceeding HK$19 billion	0.0160% per annum of the value of the Deposited Property (which may be increased from time to time to a maximum percentage of 0.06% per annum of the value of the Deposited Property)
(ee)	where the value of the Deposited Property is, or is greater than HK$19 billion	0.0150% per annum of the value of the Deposited Property (which may be increased from time to time to a maximum percentage of 0.06% per annum of the value of the Deposited Property)

Where there is an increase in the percentage rate applicable to any of (aa), (bb), (cc), (dd) or (ee), the other percentage rates may also be increased. Where a threshold for the value of the Deposited Property set out in the first column above is exceeded, the fee rate at the next level shall be applied to the entire value of the Deposited Property (and shall not be applied only to the amount by which such threshold is exceeded).

The Trustee shall give at least one month's prior written notice to the REIT Manager and the Unitholders of any increase in the rate of the remuneration of the Trustee up to and including the maximum rate of the ongoing fee that the Trustee proposes to charge from time to time pursuant to the Trust Deed. Any such increase must be approved by the REIT Manager. Any increase in the maximum rate, or any change to the structure of the Trustee's remuneration, shall be subject to the passing of a Special Resolution.

The remuneration of the Trustee shall be payable out of the Deposited Property semi-annually in arrears (within 30 days of the end of every six calendar months) and will be calculated by reference to the unaudited management accounts of SF REIT prepared by the REIT Manager for the relevant six months. The remuneration of the Trustee shall be payable out of the Deposited Property in cash. The remuneration payable to the Trustee for a broken period shall be pro-rated on a time basis.

The ongoing fees calculated in accordance with the above are subject to adjustment after the publication of the audited financial statements of SF REIT for the financial year, as follows:

Adjustment = (RPF% x DP) – SF

Where:

RPF = the relevant percentage figure determined in accordance with the table above;

DP = the value of the Deposited Property as published in the audited financial statements of SF REIT for the relevant financial year; and

SF = the sum of the semi-annually ongoing fees received by the Trustee in respect of the relevant financial year.

Where the above adjustment is positive, SF REIT shall pay the difference to the Trustee within 30 days after the publication of the audited accounts of SF REIT. Where the adjustment is negative, the Trustee shall pay the difference to SF REIT within 30 days after publication of the audited financial statements of SF REIT for the relevant financial year. For the avoidance of doubt, the above adjustment shall not affect the minimum fee of HK$66,000 per month.

If the Trustee finds it expedient, necessary or is requested by the REIT Manager to undertake duties which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of normal day-to-day business operations of SF REIT including the acquisition of or divestment or disposal of any Authorised Investment by SF REIT after the Listing, the Trustee is entitled to charge and be paid, out of the Deposited Property, such fees and expenses on a time cost basis at a rate to be agreed with the REIT Manager from time to time.

TERMINATION OF SF REIT

Under the Trust Deed, SF REIT shall be terminated as follows:

Termination if SF REIT is wound up by a court order or the operation of law

SF REIT will be terminated if it is wound up by a court order or is otherwise terminated by the operation of law. SF REIT will also be terminated if for any reason, there is no manager under the Trust for a period of more than 60 calendar days or such longer period as the Trustee considers appropriate. Otherwise SF REIT shall continue until the expiration of 80 years less one day from the date of commencement of SF REIT as provided in the Trust Deed, or until SF REIT is terminated or merged in the manner described below or as set out in the sub-section headed "Merger of SF REIT" below.

Termination with the specific prior approval by Special Resolution

Save as described above, the termination of SF REIT shall require specific prior approval by Special Resolution at a meeting to be convened in accordance with the provisions contained in the Trust Deed by the REIT Manager. Where the proposal to terminate SF REIT is recommended by the REIT Manager, the REIT Manager and any connected persons of the REIT Manager shall abstain from voting if (i) they hold interests in the Units; and (ii) their interest (at the sole determination of the Trustee) in terminating SF REIT is different from that of all other Unitholders. The Trustee shall have no liability for any consequence arising out of such termination recommended by the REIT Manager and approved by Special Resolution in the absence of fraud, bad faith, negligence or wilful default, breach of any constitutive documents to which the Trustee is a party, breach of the REIT Code or other applicable laws and regulations or a breach of trust.

An announcement on the termination of SF REIT shall be made by the REIT Manager to the Unitholders as soon as reasonably practicable in accordance with the provisions of the Trust Deed. The REIT Manager shall also serve on Unitholders, within 15 business days of the announcement, a circular convening an extraordinary general meeting containing the following information: (a) the rationale for the termination of SF REIT; (b) the effective date of the termination; (c) the manner in which the Deposited Property are to be dealt with; (d) the procedures and timing for the distribution of the proceeds of the termination; (e) a valuation report of SF REIT prepared by an Approved Valuer which is dated not more than three months before the date of the circular; (f) the alternatives available to the Unitholders (including, if possible, a right to switch without charge into another authorised scheme); (g) the estimated costs of the termination and who is expected to bear such costs; and (h) such other material information that the REIT Manager determines that the Unitholders should be informed of.

Upon the Unitholders' approval of the termination of SF REIT, no further Units shall be created, issued, cancelled or sold. No transfer of Units may be registered and no other change to the register of Unitholders may be made without the sanction of the Trustee following the announcement referred to above. No further investments may be made by SF REIT upon its termination and the obligations of the Trustee, the REIT Manager and the Approved Valuer shall continue until the completion of the liquidation of the assets and termination of SF REIT.

Generally, upon approval of the termination of SF REIT, the Trustee shall oversee the realisation of the investments by the REIT Manager (which the REIT Manager shall effect as soon as practicable) and shall use its reasonable endeavours to ensure that the REIT Manager shall repay out of the Deposited Property any outstanding borrowings effected by or for the account of SF REIT (together with any interest thereon but remaining unpaid) and shall ensure the proper discharge of all other obligations and liabilities of SF REIT. The manner of disposal of the Deposited Property is specified in the Trust Deed, with such manner being subject to the relevant provisions of the REIT Code.

All investments shall be disposed of through public auction or any form of open tender or by such other means as the SFC may permit. The disposal shall be conducted at arm's length and conducted in the best interests of the Unitholders. The disposal price shall be the best available price obtained through public auction or open tender or such other means as the SFC may permit. Subject as aforesaid, such sale and repayment shall be carried out and completed in such manner and within such period after the termination of SF REIT as the REIT Manager in its absolute discretion deems advisable provided that, unless otherwise permitted by the SFC, such period may not exceed 24 months and where it exceeds 12 months, it must be in the interests of Unitholders and Unitholders shall be informed by way of announcement.

Subject to the provisions of the Trust Deed, any net cash proceeds derived from the sale or realisation of such investments shall (at such time or times as the Trustee shall deem appropriate) be distributed to the Unitholders pro rata to the number of Units held or deemed to be held by them respectively at the date of the termination of SF REIT provided that if the liquidation of SF REIT exceeds six months from the date of termination of SF REIT, an interim distribution shall be made in respect of any net proceeds derived from the sale or realisation of investments by the end of each six month period (except where no sales were made during such period). Upon completion of the liquidation of the assets of SF REIT, the following shall be prepared:

(a) a REIT Manager's review and comment on the performance of SF REIT and an explanation as to how the investments have been disposed of and the transaction prices and major terms of disposal;

(b) a Trustee's report that the REIT Manager has managed and liquidated the assets of SF REIT in accordance with the REIT Code and the provisions of the Trust Deed;

(c) financial statements of SF REIT which shall be distributed to the Unitholders by the REIT Manager within three months of completion of the liquidation of the assets of SF REIT and a copy filed with the SFC; and

(d) an auditors' report.

Following the disposal of the Deposited Property and the distribution of the net proceeds derived from the sale or realisation of the Deposited Property (if any), SF REIT will terminate.

MERGER OF SF REIT

The merger of SF REIT shall require specific prior approval by Special Resolution. Where the proposal to merge SF REIT is recommended by the REIT Manager, the REIT Manager and any connected persons of the REIT Manager shall abstain from voting if they hold interests in the Units and if their interest (at the sole determination of the Trustee) in merging SF REIT is different from that of all other Unitholders (save for the mere fact that the REIT Manager is the manager of SF REIT). Where upon any such merger the Trustee retires, any deed effecting the merger by which the Deposited Property and liabilities of SF REIT are so merged shall include indemnification of the Trustee to its satisfaction. The Trustee shall cease to be liable for obligations and liabilities of SF REIT subsisting at the time of merger to the extent such obligations and liabilities are subsequently discharged from and out of any merger of the Trust recommended by the REIT Manager and approved by Special Resolution other than any liability arising from the fraud, bad faith, negligence or wilful default, breach of any constitutive documents to which the Trustee is a party, breach of the REIT Code or other applicable laws and regulations or a breach of trust by the Trustee.

Any merger of SF REIT may only take effect upon the successor entity assuming responsibility for the performance and discharge of all obligations and liabilities of SF REIT subsisting at the time of the merger. Where SF REIT is involved in any form of merger, takeover, amalgamation or restructuring, the Takeovers Code must be complied with and the Trustee and the REIT Manager shall as soon as practicable consult with the SFC on the manner in which such activities could be carried out so that it is fair and equitable to all Unitholders.

An announcement on the intention to merge of SF REIT shall be made by the REIT Manager to the Unitholders as soon as reasonably practicable in accordance with the provisions of the Trust Deed. The REIT Manager shall also serve on Unitholders, within 15 Business Days of the announcement, a circular convening an extraordinary general meeting containing the following information: (a) the rationale for the merger of SF REIT; (b) the effective date of the merger; (c) the manner in which the Deposited Property is to be dealt with; (d) the procedures and timing for the issuance or exchange of new Units arising from the merger; (e) a valuation report of SF REIT prepared by an Approved Valuer which is dated not more than three months before the date of the circular; (f) the alternatives available to the Unitholders; (g) the estimated costs of the merger and who is expected to bear costs; and (h) such other material information that the REIT Manager determines that the Unitholders should be informed of.

Any merger pursuant to the provisions of the Trust Deed may only take effect upon the successor entity assuming responsibility for the performance and discharge of all obligations and liabilities of SF REIT subsisting at the time of merger. Upon the completion of the merger of SF REIT, the following shall be prepared:

(i) the REIT Manager's review and comment on the performance of SF REIT and an explanation as to how the investments have been accounted for in the merged scheme;

(ii) the Trustee's report that the REIT Manager has managed and merged SF REIT in accordance with the REIT Code and the provisions of the Trust Deed;

(iii) financial statements of SF REIT which shall be distributed to Unitholders by the REIT Manager within three months of the completion of the merger and a copy filed with the SFC; and

(iv) an auditors' report.

Upon the Unitholders' approval of the merger of SF REIT: (a) no further Units shall be created, issued, cancelled or sold; and (b) no transfer of Units may be registered and no other change to the unit registers may be made without the sanction of the Trustee.

DEEMED APPLICATION OF PART XV OF THE SFO

The provisions of Part XV of the SFO (other than sections 328 and 351) shall have effect, *mutatis mutandis*, as if:

(a) SF REIT is a "listed corporation" for the purposes of Part XV of the SFO;

(b) the "relevant share capital" of such listed corporation are references to: (i) the Units which are issued and outstanding from time to time; and (ii) the Units which the REIT Manager has agreed to issue, either conditionally or unconditionally, from time to time;

(c) a Unit is a share comprised in the relevant share capital of such listed corporation and the Unitholder is a holder of a share in the relevant share capital of such listed corporation;

(d) a person who is interested in a Unit is interested in a share in the relevant share capital of such listed corporation;

(e) the REIT Manager itself is a director of such listed corporation;

(f) the directors and the chief executive of the REIT Manager are the directors and the chief executive respectively of such listed corporation;

(g) "**percentage level**", in relation to a notifiable interest, means the percentage figure found by expressing the aggregate number of Units in which the person is interested immediately before or (as the case may be) immediately after the relevant time as a percentage of all the Units in issue at the relevant time as published by the REIT Manager and rounding that figure down (if it is not a whole number) to the next whole number;

(h) "**percentage level**", in relation to a short position, means the percentage figure found by expressing the aggregate number of Units in which the person has a short position immediately before or (as the case may be) immediately after the relevant time as a percentage of all the Units in issue at the relevant time as published by the REIT Manager and rounding that figure down (if it is not a whole number) to the next whole number; and

(i) in addition and without prejudice to any notification required to be given to the Hong Kong Stock Exchange by virtue of the deemed application of Part XV of the SFO, any notification with respect to interests in Units required to be given to the listed corporation by the operation of the relevant provisions in the Trust Deed shall be given by the relevant parties to the REIT Manager and the REIT Manager shall send copies of the notifications received by it to the Trustee promptly.

Specifically, the Trust Deed provides that, subject to certain modifications set out in the Trust Deed:

(a) the duty of disclosure under Divisions 2 to 4 of Part XV of the SFO (other than section 328 of the SFO) shall arise in respect of a person who: (i) is interested in Units, or who acquires an interest in or who ceases to be interested in Units; or (ii) has a short position in Units, or who comes to have or ceases to have a short position in Units. Accordingly, a duty of disclosure shall arise under the Trust Deed in relation to that person on the occurrence of the relevant events described in section 310 of the SFO in the circumstances specified in section 313 of the SFO; and

(b) the duty of disclosure under Divisions 7 to 9 of Part XV of the SFO (other than section 351 of the SFO) shall arise in respect of the REIT Manager and each director or the chief executive of the REIT Manager who: (i) is interested in Units, or who acquires an interest in or who ceases to be interested in Units, or (ii) has a short position in Units, or who comes to have or ceases to have a short position in Units. Accordingly, a duty of disclosure shall also arise under the Trust Deed in relation to the REIT Manager and a director or the chief executive of the REIT Manager (as the case may be) on the occurrence of the relevant events described in section 341 of the SFO in the circumstances specified in that section.

Where a duty of disclosure arises by virtue of the deemed application of Part XV of the SFO, the relevant person shall give notice to the REIT Manager and the Hong Kong Stock Exchange, and the REIT Manager shall promptly send a copy of the notification received by it to the Trustee.

The powers and duties of a "listed corporation" under Division 5 of Part XV of the SFO to investigate ownership of interests in Units shall be exercised by or performed solely by the REIT Manager except where the interest or short position (or deemed interested or deemed short position) relates to Units held by or in which the REIT Manager is interested or has a short position, in which case the power shall be exercised by or the duty shall be performed solely by the Trustee.

If a person who has a duty of disclosure under the Trust Deed fails to make notification in accordance with the provisions of the Trust Deed, irrespective of whether that person is a Unitholder or not, the Units in which that person is (or is deemed to be) interested in (the "**Affected Units**") shall be subject to the relevant provisions of the Trust Deed. When the person interested in the Affected Units is a person other than the REIT Manager, the REIT Manager may, in its absolute discretion, take any or all of the following actions in respect of any or all of the Affected Units:

(a) declare that the voting rights attached to any or all of the Affected Units to be suspended (and, upon such declaration, such voting rights shall be suspended for all purposes in connection with SF REIT);

(b) suspend the payment of any distributions in respect of any or all of the Affected Units (and, upon such suspension, any such distributions shall be retained in a trust account in the name of the REIT Manager pending the application of such distributions);

(c) impose an administrative fee of up to HK$0.10 per Affected Unit for each day of non-compliance from the date on which disclosure is due to be made by the person; and/or

(d) suspend registration and/or decline to register any transfer of part or all of the Affected Units,

until the relevant notification requirements are fully complied with to the satisfaction of the REIT Manager.

Irrespective of whether any Unitholder is in default of the code for disclosure of interests in the Units adopted by the REIT Manager and the relevant provisions in the Trust Deed, each Unitholder shall be bound by the decision of the REIT Manager and each Unitholders' Units shall be bound by such decision if the REIT Manager declares (in its absolute discretion) that any or all of such Units are (or are deemed to be) Affected Units.

Where the person interested in the Affected Units is the REIT Manager:

(a) the Trustee may exercise the powers of the REIT Manager in respect of any or all of the Affected Units (and for the avoidance of doubt, any suspension of payment of distribution shall be retained in a trust account in the name of the Trustee);

(b) the Trustee may exercise the powers of the REIT Manager to retain the administrative fee for the benefit of SF REIT and to take action if the fee is not paid; and

(c) irrespective of whether the REIT Manager is in default of the provisions of the Trust Deed, the REIT Manager shall be bound by the decision of the Trustee and its Units shall be bound by such decision if the Trustee declares (in its absolute discretion) that any or all of such Units are (or are deemed to be) Affected Units.

GOVERNING LAW AND JURISDICTION

The Trust Deed shall in all respects be governed by, and construed in accordance with, the laws of Hong Kong. The REIT Manager, the Trustee and each Unitholder submit to the non-exclusive jurisdiction of the courts of Hong Kong.

The agreements described in this section are complex documents and only a summary of the agreements is set out herein. Investors should refer to the agreements themselves to confirm specific information or for a detailed understanding of SF REIT. The agreements were executed prior to the date of this Offering Circular and are available for inspection at the registered office of the REIT Manager at Room 2002, 20/F, Lee Garden Six, 111 Leighton Road, Causeway Bay, Hong Kong during normal business hours and up to the Listing Date.

SALE AND PURCHASE DEED

On 29 April 2021, the REIT Manager (in its capacity as manager of SF REIT) and the Purchaser entered into the Sale and Purchase Deed with SF Fengtai (as seller) and SF Holding (as guarantor) pursuant to which the Purchaser agreed to acquire the Golden Bauhinia Share, and accept the assignment of the Golden Bauhinia Payables, with the rights attached to it at the Asset Injection Completion Date.

Consideration

The asset injection consideration for Golden Bauhinia (the "**Asset Injection Consideration**") is equal to the Initial Consideration as adjusted by the Final Payment. The Asset Injection Consideration shall be applied: (i) firstly, as payment on a dollar-for-dollar basis for the assignment of the Golden Bauhinia Payables as at the Asset Injection Completion Date to the Purchaser; and (ii) thereafter, as payment for the transfer of the Golden Bauhinia Share to the Purchaser. The Initial Consideration shall be satisfied by the issue of the Consideration Units and in cash, with the cash component to be financed by the proceeds of the Global Offering and the Bank Loan Drawdown Amount. For further details, please refer to the section headed "Use of Proceeds" in this Offering Circular.

The "**Initial Consideration**" is equal to the Acquisition Value (being HK$2,809.6 million) plus the amount of the Initial Adjustment Sum.

The "**Acquisition Value**" comprises the sum of: (i) the agreed value of the Properties between the parties provisionally based on the portion of the Minimum Offer Price attributed to the Properties ("**Agreed Property Value**", being HK$5,715.2 million, compared to the Appraised Value of the Properties as at 31 March 2021, being HK$6,099.9 million); and (ii) negative HK$2,905.6 million, being: (a) the Adjusted NAV of Golden Bauhinia as at 31 December 2020 determined based on the Accountant's Report (being negative HK$734.6 million); minus (b) the outstanding amount under the Chui Yuk Promissory Note (being HK$2,171.0 million) which was delivered to settle the consideration for the transfer of all the issued share of Chui Yuk to Golden Bauhinia.

As the Acquisition Value is provisionally based on the portion of the Minimum Offer Price attributed to the Properties, the purpose of the Initial Adjustment Sum is to ensure that the Initial Consideration reflects the value of the Properties implied by the Offer Price. The "**Initial Adjustment Sum**" is equal to:

(a) the difference between the Offer Price and the Minimum Offer Price, multiplied by the number of Offer Units (as proportionately adjusted to reflect the value of the Properties relative to the whole portfolio of SF REIT, but excluding any additional Units sold pursuant to the exercise of the Over-allotment Option); minus

(b) the additional commission payable under the Underwriting Agreements as a result of the Offer Price being in excess of the Minimum Offer Price.

As the Acquisition Value is also provisionally based on the Adjusted NAV of Golden Bauhinia as at 31 December 2020, the parties to the Sale and Purchase Deed have agreed to make either of the following payments after the Asset Injection Completion Date ("**Final Payment**"):

(a) if the Adjusted NAV of Golden Bauhinia (as set out in the Completion Statement) is higher than negative HK$734.6 million (being the Adjusted NAV of Golden Bauhinia as at 31 December 2020 determined based on the Accountant's Report), the Purchaser shall pay the difference to SF Fengtai; and

(b) if the Adjusted NAV of Golden Bauhinia (as set out in the Completion Statement) is lower than negative HK$734.6 million, SF Fengtai shall pay the difference to the Purchaser.

Pursuant to the Sale and Purchase Deed, the Asset Injection Consideration shall be paid in the following manner:

(a) on the Asset Injection Completion Date, which shall take place prior to the Listing Date, the Purchaser shall: (i) procure the issuance of the Consideration Units (being 280,000,000 Units, which will represent 35.0% of all of the issued and outstanding Units (assuming the Over-allotment Option is not exercised) on the Listing Date) to SF Fengtai at a fixed issue price of HK$4.68, which is equal to the Minimum Offer Price; and (ii) issue the Golden Bauhinia Promissory Note to SF Fengtai;

(b) within five Business Days after the Listing Date, following completion of the Global Offering, the Purchaser shall pay to SF Fengtai in cash an amount equal to: (i) the principal amount of the Golden Bauhinia Promissory Note; minus (ii) the Bulletin 7 Withholding Amount, which shall be financed using the proceeds of the Global Offering and the Bank Loan Drawdown Amount (please refer to the section headed "Use of Proceeds" in this Offering Circular); and

(c) within ten Business Days after agreement or determination of the Completion Statement, make the Final Payment.

In determining the Adjusted NAV of Golden Bauhinia in the Completion Statement, SF Fengtai and the Purchaser have agreed that the auditors shall, among other things, exclude the following items:

(a) the value of the Properties;

(b) the property, plant and equipment of the Predecessor Group;

(c) the net deferred tax liabilities;

(d) the outstanding amount under the Chui Yuk Promissory Note; and

(e) the Golden Bauhinia Payables.

The Final Payment and the Asset Injection Consideration shall be announced by the REIT Manager upon determination thereof.

Bulletin 7 Withholding Amount

The sale of the Golden Bauhinia Share by SF Fengtai to the Purchaser constitutes an indirect transfer of PRC taxable properties undertaken by non-resident enterprises under Bulletin 7. Under the Sale and Purchase Deed, the Purchaser shall withhold the estimated amount of the EIT payable under Bulletin 7 in connection with the transfer of the Golden Bauhinia Share (the "**Bulletin 7 Withholding Amount**") from the consideration payable to SF Fengtai. Please also refer to the section headed "Taxation – China Indirect Transfer Tax" in this Offering Circular.

Conditions

Asset Injection Completion will be subject to the satisfaction of the following conditions:

(a) the entering into of the International Underwriting Agreement;

(b) there being no outstanding amounts of non-trade nature which are due from or to related parties (as interpreted under IFRS) of the Predecessor Group, save for the Golden Bauhinia Payables, the Reorganisation Payables and the professional service fees directly attributable to the Listing paid by the Predecessor Group on behalf of SF REIT;

(c) there being no material damage to any Property, no compulsory acquisition or resumption of any Property and no notice of such intention received from any governmental authority; and

(d) no material breach of the warranties of SF Fengtai and SF Holding which, in the opinion of the Purchaser and/or the REIT Manager (in its capacity as manager of SF REIT), will have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of SF REIT or on the Properties, in each case taken as a whole.

Representations and warranties

The Sale and Purchase Deed contains customary representations and warranties given by SF Fengtai and SF Holding as co-warrantors in respect of the Predecessor Group. It also sets out certain limitations on the liability of SF Fengtai and SF Holding in respect of any breach of the warranties, including, a limitation period of three years from the Asset Injection Completion Date for all claims made under the warranties (other than claims relating to fundamental warranties and tax warranties, in which case the limitation period is seven years from the Asset Injection Completion Date), and a limitation amount of the Agreed Property Value plus the Initial Adjustment Sum (if any) for all such claims.

Indemnities

Furthermore, the Sale and Purchase Deed contains customary indemnities, in particular, SF Fengtai and SF Holding have irrevocably undertaken to jointly and severally indemnify SF REIT, the Trustee, the REIT Manager, the Purchaser and the Predecessor Group, to the fullest extent permissible by law, for any liability, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may sustain, incur or suffer as a result or in connection with the Hong Kong Property Non-Conforming Matters, the Foshan Property Non-Conforming Matters, the Wuhu Property Non-Conforming Matters or the non-registration of the leases in respect of the PRC Properties, including but not limited to:

(a) losses incurred in connection with the Hong Kong Government demanding for rectification of the Hong Kong Property Non-Conforming Matters including:

    (i) the loss of rental arising from the early termination of the relevant lease;

    (ii) the necessary renovation works to demolish the unauthorised carpark structure, rectify Non-Conforming Office Matters and Miscellaneous UBW Matters and/or convert the affected areas of the Hong Kong Property to the use and layout permitted under the Government Grant and the Occupation Permit; and

    (iii) any consequential reduction in the value of the Hong Kong Property as a direct consequence of rectifying the Hong Kong Property Non-Conforming Matters;

(b) any fees, charges or premiums payable for converting the Hong Kong Property Designated Use under the Government Grant and as permitted under the Buildings Ordinance to such use that is in line with the actual use of the Basement Floor;

(c) any fees and charges payable for applying for permission from the relevant Hong Kong Government authorities to use the Subject Office Premises as ancillary office or to carry out or otherwise retain the Miscellaneous UBWs;

(d) all fines, fees, charges, penalties or premiums, including but not limited to tolerance or forbearance fees, payable to the Hong Kong Government arising from the Hong Kong Property Non-Conforming Matters;

(e) costs and expenses incurred in connection with rectification of the Hong Kong Property Non-Conforming Matters, including but without limitation, stamp duty, estate or leasing agent's commission or charge, legal costs and expenses and other professional service fees;

(f) losses suffered or incurred in connection with any re-entry by the Hong Kong Government resulting from the Hong Kong Property Non-Conforming Matters;

(g) losses, costs and expenses incurred in connection with any rectification orders concerning the Foshan Property Non-Conforming Matters including:

  (i) the early termination of the non-conforming lease in accordance with its terms and pursuant to the PRC law;

  (ii) the necessary renovation works to convert the affected areas of the Foshan Property to the Foshan Property Designated Uses; and

  (iii) any consequential reduction in the value of the Foshan Property as a direct consequence of complying with the rectification order;

(h) any land premium payable for changing the uses stated in the Foshan Property's real estate rights certificate or land grant contracts to a use that is in line with the actual use of the Foshan Property;

(i) losses, costs and expenses incurred in connection with any repossession order resulting from the Foshan Property Non-Conforming Matters;

(j) losses, costs and expenses incurred in connection with any resumption order resulting from the Wuhu Property Non-Conforming Matters including:

  (i) the early termination of the leases in accordance with its terms and pursuant to the PRC law;

  (ii) any consequential reduction in the value of the Wuhu Property as a direct consequence of complying with the resumption order; and

(k) losses incurred in connection with any fine or financial penalties (including any refund of financial incentives previously granted) resulting from the Foshan Property Non-Conforming Matters, the Wuhu Property Non-Conforming Matters, or the non-registration of the leases in respect of the PRC Properties that are subsisting as at the date of the Sale and Purchase Deed with the relevant government authorities within the time limit prescribed by the relevant laws and regulations of the PRC

(collectively, the "**Subject Properties Indemnities**").

The Subject Properties Indemnities shall additionally cover any liability, loss, damage and cost incurred or suffered as a result of or in connection with the covenant given by the Purchaser as borrower and Goodear as mortgagor to indemnify DBS Hong Kong (as security agent) in respect of any demand, loss, damage, liability, claim and/or cost in connection with the Hong Kong Property Non-Conforming Matters under the Offshore Mortgage.

The Subject Properties Indemnities in respect of a Property will be limited to the Agreed Property Value plus the Proportionate Initial Adjustment Sum (if any) for such Property, and will terminate upon expiry of the land use rights or government lease (as the case may be) of such Property.

Guarantee of SF Fengtai's obligations under the Sale and Purchase Deed

SF Holding (as guarantor) has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual payment of all amounts payable by SF Fengtai under the Sale and Purchase Deed and due and punctual performance and observance by SF Fengtai of all its obligations, commitments, undertakings, warranties and indemnities under and pursuant to the Sale and Purchase Deed.

SF Holding is a company incorporated in Hong Kong and a wholly-owned subsidiary of SFH. As at 31 December 2019, SF Holding had net assets of HK$8.0 billion. SF Holding has separately given an undertaking to maintain net assets in excess of the aggregate limitation cap of the indemnities under the Sale and Purchase Deed that remain outstanding from time to time, for so long as such indemnities are in force.

HONG KONG PROPERTY MANAGEMENT AGREEMENT

Please refer to "The PRC Operations Managers and the Hong Kong Property Manager – The Hong Kong Property Manager – The Hong Kong Property Management Agreement" in this Offering Circular for details of the Hong Kong Property Management Agreement.

PRC OPERATIONS MANAGEMENT AGREEMENTS

Please refer to "The PRC Operations Managers and the Hong Kong Property Manager – The PRC Operations Managers – The PRC Operations Management Agreements" in this Offering Circular for details of the PRC Operations Management Agreements.

DEED OF RIGHT OF FIRST REFUSAL

SFH executed a deed (the "**Deed of Right of First Refusal**") dated 29 April 2021 in favour of the Trustee (in its capacity as trustee of SF REIT) and the REIT Manager (in its capacity as manager of SF REIT) under which SF REIT has been granted, conditional on the Listing, a right of first refusal ("**ROFR**") on the following terms and conditions:

Scope of Coverage

In the event that SFH or SFH Relevant Subsidiaries propose to dispose of any property (other than such property that will be disposed of: (i) pursuant to an internal reorganisation exercise; or (ii) by public auction as required under the applicable laws and regulations) that:

(a) the property must fulfil (or would reasonably be regarded as fulfiling) the investment criteria and property characteristics, and is consistent (or would reasonably be regarded as being consistent) with the investment strategy of the Manager for property investments by SF REIT;

(b) the property must be a completed property;

(c) SFH directly or indirectly holds majority ownership interest in the property, and no pre-emptive acquisition rights have been granted to the minority owners (if any).

SF REIT shall have the ROFR to acquire such qualifying property (the "**Relevant Property**").

For the purposes of the ROFR, "**SFH Relevant Subsidiaries**" includes any entity which is: (i) accounted for and consolidated in the audited consolidated accounts of SFH pursuant to PRC GAAP; or (ii) held directly or indirectly by SFH as to more than 50%.

Term

The ROFR will commence on the Listing Date until the earliest of the following occurring:

(a) five years after the Listing Date;

(b) the Units ceasing to be listed on the Hong Kong Stock Exchange (except for temporary suspension of trading); or

(c) the REIT Manager ceasing to be a subsidiary of SFH.

Sale Notice

SFH will give written notice to the REIT Manager (in its capacity as manager of SF REIT) and the Trustee (in its capacity as trustee of SF REIT) of any proposed disposal of a Relevant Property by SFH (or SFH Relevant Subsidiaries, as the case may be) pursuant to the ROFR (the "**Sale Notice**").

Exercise of the ROFR

If the REIT Manager (in its capacity as manager of SF REIT) elects to exercise the ROFR to acquire the Relevant Property, completion of the sale and purchase of the same shall be conditional upon:

(a) the attainment by SFH and/or the relevant SFH Relevant Subsidiaries of all requisite approvals and consents required under the applicable laws and regulations to which they are subject;

(b) the attainment by SF REIT of all requisite approvals and consents required under the REIT Code, the Trust Deed and all other relevant laws and regulations to which SF REIT is subject;

(c) satisfactory results on the completion of the due diligence review of the Relevant Property by SF REIT; and

(d) such other conditions as may be set out in the relevant sale and purchase agreement of the Relevant Property.

Any acquisition by SF REIT pursuant to the ROFR in the future will be subject to and in compliance with the REIT Code.

Lapse Event

In the event that, for any reason other than due to SFH's default, the sale and purchase of the Relevant Property pursuant to an exercise of the ROFR is not completed within the pre-agreed period of time or the REIT Manager (in its capacity as manager of SF REIT) does not elect to exercise the ROFR within 10 calendar days after the date of the Sale Notice (the "**Lapse Event**"), SFH or the SFH Relevant Subsidiary shall, at its election, have the right to sell the Relevant Property to a third party within 12 calendar months after the Lapse Event, without SFH needing to deliver another Sale Notice provided such sale is at a price and on such terms that are no more favourable than those set out in the Sale Notice (from the perspective of SF REIT).

OFFSHORE FACILITY AGREEMENT

On 29 April 2021, DBS Bank Ltd., acting through its Hong Kong Branch ("**DBS Hong Kong**"), Bank of Communications (Hong Kong) Limited and Credit Suisse AG, Singapore Branch (as lenders) and the Purchaser (as borrower) (the "**Borrower**") entered into a facility agreement (the "**Offshore Facility Agreement**") for: (a) a committed term loan facility of up to HK$2.159 billion (the "**Term Loan**"); and (b) an uncommitted revolving loan facility of up to HK$250 million (the "**Revolving Loan**", and together with the Term Loan, the "**Offshore Loans**"). DBS Hong Kong will act as the facility agent and the security agent in respect of the Offshore Loans.

The Term Loan will be used for, among others, financing the payment of the amount outstanding under the Golden Bauhinia Promissory Note and related transaction costs and refinancing existing indebtedness of the Borrower and its subsidiaries. The Revolving Loan will be used for working capital purposes and refinancing of existing indebtedness of the Borrower and its subsidiaries.

The Term Loan will be available for drawdown within three months from the date of the Offshore Facility Agreement. The Revolving Loan is available for drawdown from the date of the Offshore Facility Agreement to the date falling one month before the final repayment date of the Term Loan. The conditions precedent to drawdown are customary for loans typically taken out in connection with REIT listings.

The term of the Term Loan is five years from its first drawdown date. The interest rate for the Term Loan is HIBOR plus 1.10% per annum. The term of the Revolving Loan is up to one year after the drawdown date of each advance (but will not in any case be later than the term of the Term Loan). The interest rate for the Revolving Loan is HIBOR plus 0.85% per annum.

Security

The Loans will be secured by (a) a first priority mortgage over the Hong Kong Property (the "**Offshore Mortgage**"); (b) a charge over rental collection account of Goodear; (c) a debenture by Goodear; (d) an assignment of leases and rentals by Goodear; (e) an insurance assignment by Goodear; (f) a share charge over the entire share capital of Goodear; and (g) a subordination deed between the Borrower as subordinated debtor, the Trustee (in its capacity as trustee of SF REIT) as subordinated creditor and DBS Hong Kong as security agent.

Covenants

The Offshore Facility Agreement contains certain customary covenants for transactions of this nature. In particular, among other things, (i) SF REIT shall maintain its listing status on the Hong Kong Stock Exchange after the Listing Date and comply with the regulations issued by the SFC; (ii) the REIT Manager shall continue to be the manager of SF REIT and shall remain a subsidiary of, or otherwise controlled by, SFH; (iii) the rental income of the Hong Kong Property shall be channelled through the rental collection account opened with DBS Hong Kong (being the security agent). In addition, Goodear (as mortgagor) and the Purchaser (as borrower) under the Offshore Mortgage will covenant to indemnify DBS Hong Kong (as security agent) in respect of any demand, loss, damage, liability, claim and/or cost in connection with the Hong Kong Property Non-Conforming Matters.

Events of Default

The Offshore Facility Agreement contains customary events of default, the occurrence of which would allow the facility agent by notice to the Borrower to, subject to applicable remedy period provided under the Offshore Facility Agreement, cancel the relevant facility and/or declare all or part of any loan (together with accrued interest and all other amounts outstanding) immediately due and payable. The events of default include, among others: (a) non-payment of any sums under the Offshore Facility Agreement; (b) breach of any financial covenants under the Offshore Facility Agreement; (c) failure to comply with maximum loan-to-value ratio and such failure is not remedied within 30 calendar days; (d) failure to comply with any other obligations; (e) misrepresentation; (f) insolvency; (g) unlawfulness; (h) insolvency proceedings; (i) litigation; (j) the Borrower ceases to be wholly-owned or controlled, directly or indirectly, by SF REIT; (k) any of the PRC Property Companies ceases to be controlled or at least 75% owned, directly or indirectly, by SF REIT; (l) Golden Bauhinia ceases to be wholly-owned or controlled, directly or indirectly, by the Borrower after the Asset Injection Completion; (m) Goodear ceases to be wholly owned or controlled, directly or indirectly, by Golden Bauhinia; (n) any of the PRC Property Companies ceases to be controlled or at least 75% owned, directly or indirectly, by Golden Bauhinia; (o) the Foshan Property ceases to be wholly-owned or controlled, directly or indirectly, by the Foshan Company (PRC); (p) the Hong Kong Property ceases to be wholly-owned or controlled, directly or indirectly, by Goodear; (q) material adverse change; (r) unlawfulness, invalidity or ineffectiveness of security created under any security document; (s) cross default of financial indebtedness by any subsidiary of SF REIT; (t) if SF REIT is suspended from trading on the Hong Kong Stock Exchange for 14 or more consecutive trading days other than for purely technical reasons; and (u) other customary events of default.

ONSHORE FACILITY AGREEMENTS

On 25 April 2021 and 27 April 2021 respectively, each of the Foshan Company (PRC) and the Wuhu Company (PRC) (each as borrower) entered into a facility agreement (each, an "**Onshore Facility Agreement**", and collectively, "**Onshore Facility Agreements**") with China Merchant Bank Co., Ltd., Foshan Branch (the "**Onshore Lender**") for term loan facilities. The term loan facility granted to Foshan Company (PRC) is for a principal amount of up to RMB120 million, and the term loan facility granted to Wuhu Company (PRC) is for a principal amount of up to RMB100 million (each, an "**Onshore Loan**", and collectively, "**Onshore Loans**").

The term of each Onshore Loan is five years from the first drawdown date. The interest rate for the Onshore Loans is 5.5%. The proceeds from the drawdown of the Onshore Loans will be used to settle the related party liabilities owing from the PRC Property Companies to subsidiaries of SFH and, if any, outstanding construction payables in respect of the PRC Properties. The Onshore Loans are secured by a first priority mortgage over the Foshan Property and a charge over each of the PRC Property Companies' rental collection accounts.

The Onshore Facility Agreements contain customary events of default, including: (a) non-payment of any sums under the Onshore Facility Agreements; (b) cross-default of financial indebtedness by any subsidiary of SF REIT; (c) misrepresentation; (d) insolvency; (e) unlawfulness; (f) insolvency proceedings; and (g) litigation.

TRADEMARK LICENCE AGREEMENT

By a licence agreement dated 10 December 2020 ("**Trademark Licence Agreement**") entered into between Shenzhen SF Taisen, SF (IP) and the REIT Manager, Shenzhen SF Taisen and SF (IP) (collectively, the "**Licensors**") have granted the REIT Manager (the "**Licensee**") a non-exclusive and non-transferable right and licence to use certain "SF" trademarks (the "**Licensed Trademarks**") in its company names and in connection with the business and for the benefit of SF REIT, on a royalty free basis. For details of the Licensed Trademarks, please refer to the list set out in the sub-section headed "General Information – 2. Intellectual Property Rights" in Appendix VIII to this Offering Circular. The Trademark Licence Agreement is for an unlimited term until: (i) termination by mutual consent of the Licensors and the Licensee; or (ii) the REIT Manager ceases to act as the manager of SF REIT or there is a material change of shareholding in the REIT Manager; or (iii) the Licensors no longer maintain their respective ownership over the Licensed Trademarks. The Licensors shall renew registration of the Licensed Trademarks at their own costs.

Without the Licensors' prior consent, the Licensee may not sub-license or grant the right to use the Licensed Trademarks to third parties. The Licensee has also given certain further customary undertakings to the Licensors regarding the use of the Licensed Trademarks and other matters.

SF LEASE GUARANTEES

On 29 April 2021, SF Holding (as guarantor) and Goodear (as beneficiary) entered into a deed of guarantee for each of the two subsisting SF Leases pertaining to the Hong Kong Property, and Shenzhen SF Taisen (as guarantor) entered into a guarantee agreement with each of the PRC Property Companies (as beneficiaries) for the subsisting SF Leases pertaining to the PRC Properties, pursuant to the guarantors agreed to pay all amounts (including without limitation all rent, charges and outgoings, fees and costs) from time to time owing or payable by a SF Connected Tenant to the relevant Property Company under the relevant SF Leases, subject to a monetary limit equivalent to the rent payable for the last 12-months of the term of that lease. For a summary of the key terms and provisions of the SF Lease Guarantees, please refer to the section headed "Connected Party Transactions – Continuing Connected Party Transactions – Fully Exempt Continuing Connected Party Transactions with SF Connected Persons – SF Lease Guarantees" in this Offering Circular.

UNDERWRITING

The Hong Kong Underwriting Agreement was entered into on 4 May 2021. For a summary of the key terms and provisions of the Hong Kong Underwriting Agreement, please refer to the section headed "Underwriting" in this Offering Circular.

INTRODUCTION

Following completion of the Global Offering, there will be, and it is likely that there will continue to occur from time to time, a number of transactions between the SF REIT Group on the one hand and parties which have a relationship or connection with the SF REIT Group on the other hand which will constitute connected party transactions of SF REIT within the meaning of the REIT Code.

The REIT Code contains rules (the "**connected party rules**") governing transactions between SF REIT and certain defined categories of "connected persons" within the meaning given in the REIT Code. Such transactions will constitute "connected party transactions" for the purposes of the REIT Code.

SF REIT's "connected persons" will include, among others:

(a) the REIT Manager;

(b) the Trustee;

(c) a Substantial Holder;

(d) a director or chief executive of the REIT Manager or the Trustee or any of the subsidiaries of SF REIT;

(e) an associate of the persons or entities in (a), (b), (c) or (d) above ("associate" being defined in Chapter 14A of the Listing Rules, modified as appropriate pursuant to paragraph 2.26 of the REIT Code);

(f) a "connected subsidiary" as defined in Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code); or

(g) a person deemed to be connected by the SFC.

The REIT Manager has applied for certain waivers in relation to certain continuing connected party transactions as set out in the sub-section headed "Application for Waiver in respect of Non-Exempt SF Continuing CPTs" below.

INTERNAL CONTROL

The REIT Manager has established an internal control system intended to ensure that connected party transactions between members of the SF REIT Group and its "connected persons" are monitored and that these are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, among other things, all connected party transactions must be carried out at arm's length, on normal commercial terms and in the best interests of Unitholders.

As a general rule, the REIT Manager is required to demonstrate to the independent non-executive Directors and the Audit Committee that all connected party transactions satisfy the requirements below, which may entail (where practicable) obtaining quotations from independent third parties, or obtaining one or more valuations from independent professional valuers. In particular, the REIT Manager should comply with the following requirements in the manner specified under the REIT Code and guidelines issued by the SFC from time to time:

(a) all connected party transactions must be carried out at arm's length on normal commercial terms and in an open and transparent manner;

(b) all connected party transactions must be valued, in relation to a property transaction, by an independent property valuer;

(c) all connected party transactions must be consistent with SF REIT's investment objectives and strategy;

(d) all connected party transactions must be on terms that are fair and reasonable and in the best interests of Unitholders;

(e) all connected party transactions must be properly disclosed to Unitholders;

(f) all connected party transactions must be approved by the independent non-executive Directors of the REIT Manager (or a committee thereof); and

(g) where the prior approval of Unitholders is required, the independent non-executive Directors of the REIT Manager (or a committee thereof) shall confirm, in a letter set out in the circular to Unitholders whether the terms and conditions of the transaction are fair and reasonable and in the best interests of Unitholders and whether Unitholders should vote in favour of the resolution. An independent financial advisor shall also be appointed to advise the independent non-executive Directors of the REIT Manager (or a committee thereof) in this regard.

The REIT Manager is also required to investigate and monitor all transactions by the SF REIT Group in order to determine whether such transactions are connected party transactions. Furthermore, the REIT Manager is required to maintain a register to record all connected party transactions which are entered into by members of the SF REIT Group and the bases, including any quotations from independent third parties or independent valuations obtained to support such bases, on which they are entered into. The REIT Manager is also required to incorporate into its internal audit plan a review of all connected party transactions entered into by members of the SF REIT Group.

With respect of the leases, tenancies and licences of real estate entered into by members of SF REIT Group, such transactions shall be reviewed by reference to the value of rental for the term of the lease, tenancy or licence.

ONE-OFF CONNECTED PARTY TRANSACTIONS

SF REIT Group entered into the following one-off connected party transactions in connection with the establishment of SF REIT and the Global Offering:

(1) Sale and Purchase Deed

The REIT Manager (in its capacity as manager of SF REIT), the Purchaser, SF Fengtai (as seller) and SF Holding (as guarantor) entered into the Sale and Purchase Deed in connection with the acquisition of Golden Bauhinia Share and the assignment of Golden Bauhinia Payables. In addition, SF Fengtai and SF Holding irrevocably undertook to indemnify SF REIT, the Trustee, the REIT Manager, the Purchaser and the Predecessor Group, against any liability, losses, damages, fines, fees and costs which any one of them may suffer in respect of the Hong Kong Property Non-Conforming Matters, Foshan Property Non-Conforming Matters and Wuhu Property Non-Conforming Matters, subject to the terms and conditions set out in the Sale and Purchase Deed. For further details regarding the terms of the Sale and Purchase Deed, please refer to the section headed "Material Agreements and Other Documents – Sale and Purchase Deed" in this Offering Circular.

(2) Deed of Right of First Refusal

SFH executed a deed in favour of the Trustee (in its capacity as trustee of SF REIT) and the REIT Manager (in its capacity as manager of SF REIT) under which SF REIT has been granted a ROFR in respect of completed properties owned by SFH or SFH Relevant Subsidiaries subject to the terms and conditions contained therein. For further details, see the section headed "Material Agreements and Other Documents – Deed of Right of First Refusal" in this Offering Circular.

CONTINUING CONNECTED PARTY TRANSACTIONS

SF REIT Group entered into the following continuing connected party transactions in relation to the ordinary and usual course of SF REIT's business (collectively, the "**SF Continuing CPTs**"):

Nature of transactions	**Waiver sought**
Non-Exempt Continuing Connected Party Transactions	
• SF Leasing Framework Agreement	• Announcement, circular and independent Unitholders' approval requirement • Requirement that the period of the agreement must not exceed three years
• PRC Operations Management Agreements	• Announcement requirement
Fully Exempt Continuing Connected Party Transactions	
• SF Lease Guarantees • Trademark Licence Agreement	N/A

Non-Exempt Continuing Connected Party Transactions with SF Connected Persons

SF REIT Group entered into the following continuing connected party transactions which would ordinarily be subject to the reporting, announcement, and, as the case may be, circular and independent Unitholders' approval requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) (the "**Non-exempt SF Continuing CPTs**"):

(1) SF Leasing Framework Agreement

As part of SF REIT's ordinary and usual course of business, the subsidiaries of SF REIT (as landlords) are either already a party to, or may from time to time enter into or renew, leases, tenancies or licences with connected persons of SF REIT through their relationship with the REIT Manager or SF Fengtai (as Substantial Unitholder) (the "**SF Connected Persons**") as tenants in respect of the premises that are owned by SF REIT from time to time (such leases, tenancies and licences being "**SF Leases**" and such tenants being "**SF Connected Tenants**"). As the transactions contemplated under the SF Leases will constitute continuing connected party transactions of SF REIT following the Listing, the REIT Manager (in its capacity as the manager of SF REIT) entered into a framework agreement with Shenzhen SF Taisen on 29 April 2021 to set out the terms and conditions and pricing policy governing the SF Leases which are either in place or to be entered into from time to time (the "**SF Leasing Framework Agreement**"). The subsidiaries of SF REIT (as landlords) will enter into individual SF Leases with the SF Connected Tenants from time to time with terms consistent with the SF Leasing Framework Agreement.

The principal terms of the SF Leasing Framework Agreement are set out below.

Term and Termination

The SF Leasing Framework Agreement commences from the Listing Date and expires on 31 December 2026 and is automatically renewable for a successive period of five years thereafter (or for any other period which may be shorter or longer than five years as the parties may agree otherwise), subject to compliance with the relevant requirements of the REIT Code and the Listing Rules. Upon renewal of the SF Leasing Framework Agreement, SF REIT will re-comply with the applicable disclosure and/or independent unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules. In the event that the term of the annual caps to which the SF Leases entered into in accordance with the SF Leasing Framework Agreement are subject expires prior to the end of the term of any SF Lease and is not renewed, SF REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such SF Lease for the excessive term.

Under the requirements of Rule 14A.52 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code), a continuing connected party transaction of SF REIT should be for a duration of no longer than three years, except in special circumstances where the nature of the transaction requires it to be of a duration of more than three years.

The REIT Manager is of the view that it is normal business practice and appropriate for the SF Leasing Framework Agreement to be for a duration of longer than three years given the underlying SF Leases are and will generally be for a duration of longer than three years for the following reasons:

(a) according to the Market Consultant, it is not uncommon for a larger proportion of the floor area of modern logistics properties to be leased to only one or two major tenants and for such leases to be for a longer duration due to the large initial capital expenditure required for tenants to operate the premises (for example, for installing heavy machinery and equipment);

(b) the Properties were initially developed and built to suit the SF Connected Tenants' operational needs at the time;

(c) most of the Gross Lettable Area of the Properties has been leased to the SF Connected Tenants, who collectively contributed approximately 78.3% of the revenue of the Property Companies for the year ended 31 December 2020, hence the Unitholders would have the assurance of SF REIT having a recurrent source of revenue for a longer term; and

(d) there is no assurance that the SF Connected Tenants would exercise the option to renew or the parties would be able to agree the terms for the renewal, and it may be challenging for SF REIT Group to find replacement tenants who are prepared to enter into leases on terms comparable to the SF Leases.

The Independent Property Valuer is of the view that it is normal business practice for leases of comparable properties in Hong Kong and the PRC to be of a similar duration of the SF Leases.

Based on the above and after consultation with the Independent Property Valuer, the Sole Listing Agent (i) is of the view that it is normal business practice for the leases of comparable properties in Hong Kong and the PRC to be of a similar duration as the SF Leases; and (ii) concurs with the view of the REIT Manager that it is normal business practice and appropriate for the SF Leasing Framework Agreement to be of such duration.

The SF Leasing Framework Agreement will be terminated where: (a) either party gives the other party not less than three months' prior written notice, provided that all the then-subsisting SF Leases have been terminated; (b) the Units cease to be listed on the Hong Kong Stock Exchange (except for temporary suspension of trading); (c) the REIT Manager ceases to be a subsidiary of SFH and SFH ceases to be a Substantial Unitholder of SF REIT; (d) the transactions under all the then-subsisting SF Leases cease to be connected party transactions and/or continuing connected party transactions as defined under the REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code); (e) a party to the SF Leasing Framework Agreement ceases to carry on business; or (f) a party to the SF Leasing Framework Agreement commits a material breach of any material obligation thereunder and in the case of a breach that is capable of remedy, fails to remedy that breach within 30 days of receipt of a written notice from the other party stating the particulars of the breach and requiring it to be remedied.

Pricing Policy

Pursuant to the SF Leasing Framework Agreement, each party thereto agrees that, and agrees to procure the relevant contracting parties to the SF Leases to ensure that, each SF Lease shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of SF REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06 (26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; (d) at a rent that is determined by reference to the then current open market rent at the commencement date of the term of the relevant SF Lease which would be paid by a willing tenant to a willing landlord for similar premises in a similar development; and (e) in compliance with the terms of the SF Leasing Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

Historical Figures

The aggregate amounts of rental income and management service income paid and payable by the SF Connected Tenants to the Property Companies under previous leases entered into with the Property Companies were HK$159.6 million, HK$194.1 million and HK$218.6 million for each of the three years ended 31 December 2018, 2019 and 2020, respectively.

Annual Caps

The maximum aggregate amounts of rent and other charges payable under the SF Leases entered into in accordance with the SF Leasing Framework Agreement for each of the six years ending 31 December 2026 will not exceed HK$344.4 million, HK$375.8 million, HK$393.7 million, HK$412.5 million, HK$432.2 million and HK$453.0 million, respectively.

These caps were determined on the basis and assumptions that:

(i) the aggregate amounts of rent and other charges are paid by the SF Connected Tenants to the Property Companies under the subsisting SF Leases and previous leases entered into with the Property Companies;

(ii) all subsisting SF Leases will run their full term with their respective yearly rental increment being 5%, which is the top end of the range of yearly rental increment for these leases of 3% to 5% depending on the location of the Property and the type of space rented;

(iii) the existing Add-on Services provided to the SF Connected Tenants of the Hong Kong Property will continue to be consumed by such tenants at the existing rates; and

(iv) a buffer of 25% is added to the total of (i) to (iii) above to factor in the expected expiry of the Third Party Leases and currently vacant units which may potentially be replaced by new SF Leases and possible growth in market rental rates in respect of any new SF Leases to be entered into due to market fluctuations, and to cater for new SF Leases which may be assumed or entered into by SF REIT Group in respect of other properties or premises owned by SF REIT from time to time. Most of the Gross Lettable Area of the Properties had been leased to the SF Connected Tenants, who collectively contributed to approximately 76.3% of the aggregate Gross Lettable Area of the Properties for the year ended 31 December 2020, with the remaining portion of approximately 23.7% of the aggregate Gross Lettable Area contributed by independent third party tenants could potentially be converted into SF Leases should those leases being taken up by the SF Connected Tenants upon expiry.

The annual rental income derived from the SF Connected Tenants will increase compared to historical figures for the six years ending 31 December 2026 due to: (i) the SF Leases that took effect on 1 May 2021, which are at the prevailing market rent rate as advised by the Independent Property Valuer; and (ii) Foshan Property commenced leasing since September 2020. The annual caps set out above should not be taken as the anticipated growth projections or indicators of the future performance of SF REIT.

Reasons for, and benefits of, the SF Leasing Framework Agreement

As one of SF REIT's key investment objectives is to provide Unitholders with stable distributions, which are mainly derived from the rental income generated by its properties, the REIT Manager believes that the entering into of the SF Leasing Framework Agreement is necessary for the continuous growth and operations of, and will generate recurrent rental income for, SF REIT. In addition, the REIT Manager considers that the entering into of the SF Leasing Framework Agreement would reduce the ongoing administrative and compliance costs upon SF REIT in respect of SF Leases which are entered into in its ordinary and usual course of business, and is accordingly beneficial to SF REIT and its Unitholders as a whole.

Application of the REIT Code and the Listing Rules

Shenzhen SF Taisen, being an indirect holding company of SF Fengtai (being a Substantial Unitholder) and the REIT Manager, is an associate of the REIT Manager and an associate of a Substantial Unitholder, and therefore a connected person of SF REIT. The transactions under the SF Leasing Framework Agreement therefore constitutes continuing connected party transactions of SF REIT in accordance with the REIT Code.

As the highest of the applicable percentage ratios for the transactions contemplated under the SF Leasing Framework Agreement is, on an annual basis, expected to be more than 5%, these transactions would, upon Listing, and in the absence of the grant of a SF Continuing CPTs Waiver, be subject to the reporting, annual review, 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) and the SF Leases would be required to be subject to maximum annual caps expressed in monetary terms.

(2) PRC Operations Management Agreements

On 1 May 2021, (i) the Foshan Company (PRC) entered into a PRC Operations Management Agreement with the Foshan Operations Manager, and (ii) the Wuhu Company (PRC) entered into a PRC Operations Management Agreement with the Wuhu Operations Manager, pursuant to which the PRC Operations Managers shall provide the PRC Operations Management Services with respect to the PRC Properties for an initial term from the Listing Date to 31 December 2023 (which may be extended by the parties' agreement upon expiry of the initial term).

Please refer to "The PRC Operations Managers and the Hong Kong Property Manager – The PRC Operations Managers – The PRC Operations Management Agreements" in this Offering Circular for details of the PRC Operations Management Agreements.

Historical Figures

The property management fees paid by the Wuhu Company (PRC) to the Wuhu Operations Manager for managing the Wuhu Property were nil, HK$1.3 million and HK$3.4 million for the years ended 31 December 2018, 2019 and 2020, respectively. There were no historical figures before the year ended 31 December 2018 in respect of the Wuhu Property as the Wuhu Operations Manager was established in the PRC on 8 April 2019. There were also no historical figures applicable to the Foshan Property as no property management fees were payable by the Foshan Company (PRC) to the Foshan Operations Manager prior to the signing of the PRC Operations Management Agreement in respect of the Foshan Property in May 2021.

Annual Caps

The aggregate fees payable under the PRC Operations Management Agreements for each of the three years ending 31 December 2023 will not exceed HK$4.1 million, HK$2.1 million and HK$2.2 million, respectively.

These caps were calculated by reference to (i) the annual rent and management service fees receivable under the subsisting leases of Wuhu Property and Foshan Property, which are the basis for calculating the property management fees payable; (ii) the expected expiry of leases in any particular year and the expected rental increment upon expiry of such leases; (iii) in respect of the SF Leases, the yearly rental increment of 5%, being the top end of the range of rental increment for these leases; and (iv) a buffer of 25% to the amount resulting from (i) to (iii) above, to account for contingencies such as changes in market rent or market conditions.

Compared with the annual caps for the years ending 31 December 2022 and 2023, the higher annual cap for the year ending 31 December 2021 is mainly attributable to the PRC Operations Management Agreements entered into on 1 May 2021 at the prevailing market rate. Prior to the entering into of the PRC Operations Management Agreements, the historical fees charged by Wuhu Operations Manager was equivalent to 15% of the monthly rental income plus property management fee. The annual cap for the year ending 31 December 2022 slightly increased from HK$2.1 million to HK$2.2 million for the year ending 31 December 2023, representing a growth rate of approximately 4.7% and is largely in line with the growth trend of the annual caps under the SF Leasing Framework Agreement between the years ending 31 December 2022 and 2023 to cater for the PRC Operations Management Services to be provided in respect of the PRC Properties under the relevant SF Leases.

The annual caps set out above should not be taken as the anticipated growth projections or indicators of the future performance of SF REIT.

Reasons for, and benefits of, the PRC Operations Management Agreements

The REIT Manager believes that the PRC Operations Managers are well-positioned to provide operations and property management services given its established business relationship with the PRC Property Companies and understanding of the operations, standards and specific needs in respect of the PRC Property Companies. Accordingly, it is expected that the arrangements under the PRC Operations Management Agreements would be cost-efficient, expedient and beneficial to the business operations of SF REIT.

Application of the REIT Code and the Listing Rules

As each of the PRC Operations Managers is an indirect wholly-owned subsidiary of SFH (being the holding company of the REIT Manager and SF Fengtai, a Substantial Unitholder), the PRC Operations Managers are associates of the REIT Manager and a

Substantial Unitholder and therefore connected persons of SF REIT. The transactions under the PRC Operations Management Agreements therefore constitute continuing connected party transactions of SF REIT in accordance with the REIT Code.

As the highest of the applicable percentage ratios of the transactions contemplated under the PRC Operations Management Agreements is, on an annual basis, expected to be 0.1% or more but less than 5%, these transactions will be exempt from the circular (including the opinion and recommendations from an independent financial adviser) and the independent Unitholders' approval requirements, but would, upon Listing, and in the absence of the grant of a SF Continuing CPTs Waiver by the SFC, be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) and each of the transactions contemplated under the PRC Operations Management Agreements would be required to be subject to maximum annual caps expressed in monetary terms.

Fully Exempt Continuing Connected Party Transactions with SF Connected Persons

SF REIT Group has entered into the following continuing connected party transaction which is fully exempt from the reporting, annual review, announcement and independent Unitholders' approval requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) (the "**Exempt SF Continuing CPTs**"):

(1) SF Lease Guarantees

SF Holding and Shenzhen SF Taisen, being subsidiaries of SFH which have net assets of more than HK$8.0 billion and RMB32.6 billion as at 31 December 2019 respectively, each agreed to guarantee to pay all amounts (including without limitation all rent, charges and outgoing, fees and costs) from time to time owing or payable by the SF Connected Tenants to the Property Companies under the SF Leases, subject to a monetary limit as described below.

Accordingly, on 29 April 2021, a deed of guarantee was entered into between SF Holding (as guarantor) and Goodear (as beneficiary) for each of the two subsisting SF Leases pertaining to the Hong Kong Property, and a guarantee agreement was entered into between Shenzhen SF Taisen (as guarantor) and the PRC Property Companies (as beneficiaries) for all of the subsisting SF Leases pertaining to the PRC Properties (collectively, these three contracts being "**SF Lease Guarantees**"). Under the SF Lease Guarantees, the respective guarantors agreed to indemnify the relevant Property Company against all claims, damages, demands, losses, liability, fees, costs and expenses whatsoever which the relevant Property Company may sustain due to any act of default or neglect on the part of the relevant SF Connected Tenant in the performance and observance of its obligations under the relevant SF Lease, subject to a monetary limit equivalent to rent payable for the last 12-months of the term of the relevant SF Lease. The respective guarantors also agreed to be liable with the relevant SF Connected Tenant for the due observance and performance of all the obligations, covenants, terms and conditions contained in the relevant SF Lease and on the part of the relevant SF Connected Tenant to be observed and performed.

The SF Lease Guarantees shall remain in place and be effective until three years following the expiry of the term of the relevant SF Leases or any extension or renewal thereof.

Application of the REIT Code and the Listing Rules

Each of SF Holding and Shenzhen SF Taisen, being an indirect holding company of SF Fengtai (being a Substantial Unitholder) and the REIT Manager, is an associate of the REIT Manager and an associate of a Substantial Unitholder, and therefore a connected person of SF REIT. The transactions under the SF Lease Guarantees therefore constitute continuing connected party transactions of SF REIT in accordance with the REIT Code.

As the SF Lease Guarantees were granted for the benefit of the subsidiaries of SF REIT, each of the SF Lease Guarantees constitutes financial assistance within the meaning of Rule 14A.24(4) of the Listing Rules (modified as appropriate pursuant or paragraph 2.26 of the REIT Code) received by SF REIT from a connected person which is on normal commercial terms or better and not secured by the assets of SF REIT Group. Accordingly, each of the SF Lease Guarantees would, upon Listing, be exempt from the reporting, annual review, announcement and independent unitholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

(2) Trademark Licence Agreement

On 10 December 2020, Shenzhen SF Taisen, SF (IP) and the REIT Manager entered into the Trademark Licence Agreement pursuant to which Shenzhen SF Taisen and SF (IP) as licensors have granted the REIT Manager a non-exclusive and non-transferrable right and licence to use the Licensed Trademarks in its company names and in connection with the business and for the benefit of SF REIT, on a royalty free basis. The Trademark Licence Agreement is for an unlimited term until: (i) termination by mutual consent of the Licensors and the Licensee; or (ii) the REIT Manager ceases to act as the manager of SF REIT or there is a material change of shareholding in the REIT Manager; or (iii) the Licensors no longer maintain their respective ownership over the Licensed Trademarks. The Licensors shall renew registration of the Licensed Trademarks at their own costs. The Licensed Trademarks are generally known and recognised by the public as they have been widely used in various marketing activities and promotional materials by SF REIT Group. SF REIT intends to continue to use, after the Listing, the Licensed Trademarks in such connection. The REIT Manager considers that the "SF" brand is a highly recognisable brand in the PRC and Hong Kong, and that such existing brand image allows SF REIT to resonate with its tenants and facilitate the market and business expansion of SF REIT. The REIT Manager believes that the entering into of the Trademark Licence Agreement with a duration of over three years is in line with the normal business practice for agreements of this type as comparable contractual arrangements have similar long-term arrangements, and the granting of the Licensed Trademarks for such long duration on a royalty free basis will promote the stability of operations and is beneficial to SF REIT and the Unitholders as a whole. The Sole Listing Agent is of the view that the duration of over three years is in line with the normal business practice for agreements of this type, and the granting of the Licensed Trademarks for such long duration on a royalty free basis is beneficial to SF REIT and the Unitholders as a whole.

For further details of the Trademark Licence Agreement and the Licensed Trademarks, please refer to the section headed "Material Agreements and Other Documents – Trademark Licence Agreement" and the sub-section headed "General Information – 2. Intellectual Property Rights", respectively, in this Offering Circular.

Application of the REIT Code and the Listing Rules

Each of Shenzhen SF Taisen and SF (IP) is a wholly-owned subsidiary of SFH, being the holding company of the REIT Manager and SF Fengtai, a Substantial Unitholder. As such, each of Shenzhen SF Taisen and SF (IP) is an associate of the REIT Manager and a Substantial Unitholder and therefore a connected person of SF REIT, and the transactions under the Trademark Licence Agreement constitute a continuing connected party transaction of SF REIT in accordance with the REIT Code.

As the right to use the Licensed Trademarks is granted to the REIT Manager for the benefit of the REIT Manager and SF REIT on a royalty-free basis, the transactions under the Trademark Licence Agreements will be within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) and will be fully exempt from the reporting, annual review, announcement and independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Application for Waiver in respect of Non-Exempt SF Continuing CPTs

As the highest of the applicable percentage ratios of the transactions contemplated under the SF Leasing Framework Agreement as calculated with reference to the proposed annual caps each year is expected to be more than 5%, these transactions would normally be subject to the reporting, annual review, 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).

As the highest of the applicable percentage ratios of the transactions contemplated under the PRC Operations Management Agreements as calculated with reference to the proposed annual caps each year is expected to be 0.1% or more but less than 5%, these transactions would normally be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

As the transactions contemplated under the SF Leasing Framework Agreement and the PRC Operations Management Agreements will be carried out on a continuing basis and are to be extended over a period of time, the REIT Manager considers that strict compliance with the with the announcement, circular and independent Unitholders' approval (as applicable) requirements under the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) would be unduly burdensome and impose unnecessary administrative costs upon SF REIT.

Rule 14A.52 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) also requires that the period for the agreements in respect of the Non-Exempt SF Continuing CPTs must be fixed and, except in special circumstances where the nature of the transaction requires a longer period, must not exceed three years. Based on the reasons mentioned in the sub-section headed "Non-Exempt Continuing Connected Party Transactions with SF Connected Persons – (1) SF Leasing Framework Agreement" in this section, the REIT Manager is of the view that it is appropriate for the SF Leasing Framework Agreement to be for a duration of longer than three years.

Pursuant to paragraph 8.7C of the REIT Code and Rule 14A.105 of the Listing Rules, the REIT Manager have applied for, and the SFC has granted, a waiver (the "**SF Continuing CPTs Waiver**") exempting SF REIT from strict compliance with:

(a) 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 REIT Code);

(b) in respect of the PRC Operations Management Agreements, the announcement requirement under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of REIT Code); and

(c) in respect of the SF Leasing Framework Agreement, the requirement that the period therefor must not exceed three years, for the reasons set out in section headed "Non-Exempt Continuing Connected Party Transactions with SF Connected Persons – (1) SF Leasing Framework Agreement – Term and Termination" above.

The SF Continuing CPTs Waiver in respect of the transactions under the SF Leasing Framework Agreement shall be subject to the conditions that:

(i) the Sole Listing Agent and the Directors (including the independent non-executive Directors) are of the view that the transactions under the SF Leasing Framework Agreement have been and will be entered into in the ordinary and usual course of business of the SF REIT Group, on normal commercial terms that are fair and reasonable and in the interests of the Unitholders as a whole;

(ii) the Sole Listing Agent and the Directors (including the independent non-executive Directors) confirm that the proposed annual caps of the transactions under the SF Leasing Framework Agreement are fair and reasonable and in the interests of the Unitholders as a whole;

(iii) the Sole Listing Agent confirm that it is a normal business practice for the SF Leasing Framework Agreement to be of such duration; and

(iv) the aggregate transaction value of the transactions under the SF Leasing Framework Agreement for each of the six years ending 31 December 2026 shall not exceed the annual caps of HK$344.4 million, HK$375.8 million, HK$393.7 million, HK$412.5 million, HK$432.2 million and HK$453.0 million, respectively.

The SF Continuing CPTs Waiver in respect of the transactions under the PRC Operations Management Agreement shall be subject to the conditions that:

(i) the Sole Listing Agent and the Directors (including the independent non-executive Directors) are of the view that the transactions under the PRC Operations Management Agreement have been and will be entered into in the ordinary and usual course of business of the SF REIT Group, on normal commercial terms that are fair and reasonable and in the interests of the Unitholders as a whole;

(ii) the Sole Listing Agent and the Directors (including the independent non-executive Directors) confirm that the proposed annual caps of the transactions under the PRC Operations Management Agreement are fair and reasonable and in the interests of the Unitholders as a whole; and

(iii) the aggregate transaction value of the transactions under the PRC Operations Management Agreement for each of the three years ending 31 December 2023 shall not exceed the annual caps of HK$4.1 million, HK$2.1 million and HK$2.2 million, respectively.

Apart from the SF Continuing CPTs Waiver from strict compliance with the requirements stated above, SF REIT will comply with all applicable requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code), including any future amendments thereto.

If there is any material change to the terms of the SF Leasing Framework Agreement or the PRC Operations Management Agreements or if such agreements are proposed to be renewed or if the annual cap is exceeded, the REIT Manager will re-comply with the applicable requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Opinion of the Board

The Board (including the independent non-executive Directors) confirms that in its opinion:

(i) the SF Continuing CPTs Waiver is in the interests of the Unitholders as a whole;

(ii) the annual cap amounts for each of the Non-Exempt SF Continuing CPTs, and the basis for such annual cap amounts, are fair and reasonable and in the interests of SF REIT and the Unitholders as a whole;

(iii) the duration of the SF Leasing Framework Agreement is fair and reasonable to SF REIT and the Unitholders as a whole;

(iv) for the Non-Exempt SF Continuing CPTs which will be subsisting as at the Listing Date, each such transaction was entered into: (i) in the ordinary and usual course of business of the Predecessor Group; and (ii) on terms which are normal commercial terms, are fair and reasonable and in the interests of SF REIT and the Unitholders as a whole; and

(v) for the Non-Exempt SF Continuing CPTs which will be entered into after the Listing Date, each such transaction shall be entered into: (i) in the ordinary and usual course of business of SF REIT Group; and (ii) on terms which are normal commercial terms, are fair and reasonable and in the interests of SF REIT and the Unitholders as a whole.

Opinion of the Sole Listing Agent

DBS Asia Capital Limited, in its capacity as the sole listing agent of SF REIT, for the purposes of the authorisation of SF REIT under Part IV of the SFO and the listing of the Units on the Hong Kong Stock Exchange, has confirmed that, based on its own due diligence conducted, in its opinion, (i) the Non-Exempt SF Continuing CPTs have been entered into, and will be entered into, in the ordinary and usual course of business of SF REIT Group, on terms which are normal commercial terms, are fair and reasonable and in the interests of the Unitholders as a whole; and (ii) the annual cap amounts for each of the Non-Exempt SF Continuing CPTs are fair and reasonable and in the interests of the Unitholders as a whole.

Opinion of the Independent Property Valuer

The Independent Property Valuer has confirmed that, in its opinion, the rent in respect of the SF Leases which will be subsisting as at the Listing Date are at market levels as at their respective agreement dates, and the other commercial terms in those leases such as tenure, rental deposits, termination clauses are normal commercial terms and are fair and reasonable. The Independent Property Valuer is also of the opinion that the PRC Operations Management Agreements are fair and reasonable and conducted on normal commercial terms at arm's length and consistent with normal business practice for contracts of the relevant types.

ROLE OF AUDIT COMMITTEE FOR CONNECTED PARTY TRANSACTIONS

The Audit Committee will periodically review (and the executive Directors or the management team of the REIT Manager will periodically produce reports to the Audit Committee for review of) all connected party transactions to ensure compliance with the REIT Manager's internal control systems and with the relevant provisions of the REIT Code. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

In connection with the authorisation of SF REIT by the SFC, the REIT Manager has applied to, and has received approval from, the SFC in relation to the modifications of, and waivers from, strict compliance with certain requirements of the REIT Code and the Listing Rules. A summary of such modifications and waivers is set out below.

CONNECTED PARTY TRANSACTIONS – CHAPTER 8 OF THE REIT CODE

SF REIT has applied to the SFC for, and has been granted, waivers from strict compliance with certain provisions in Chapter 8 of the REIT Code in relation to certain connected party transactions of SF REIT within the meaning of the REIT Code. Details of the waivers received are set out in the section headed "Connected Party Transactions – Connected Party Transactions – Continuing Connected Party Transactions – Application for Waiver in respect of Non-Exempt SF Continuing CPTs" in this Offering Circular.

PAYMENT OF PROMOTIONAL EXPENSES FROM THE PROPERTIES OF SF REIT – PARAGRAPH 9.13(b) OF THE REIT CODE

Under paragraph 9.13(b) of the REIT Code, expenses arising out of any advertising or promotional activities in connection with a REIT shall not be paid from the property of the REIT. SF REIT has applied to the SFC for, and has been granted, a waiver from strict compliance with the requirements of paragraph 9.13(b) of the REIT Code to allow payment or reimbursement out of assets of SF REIT costs and expenses for marketing, promotion, advertising, roadshows, press conferences, luncheons, presentations and other public relations-related fees, costs or expenses incurred in relation to any fund raising exercise by SF REIT or otherwise in connection with SF REIT (collectively, "**Promotional Expenses**"), but only if and to the extent that such is permitted by the REIT Code and any applicable law, subject to the following conditions:

(i) the Audit Committee shall verify periodically the amounts of Promotional Expenses incurred by the REIT Manager and shall confirm in the annual report of SF REIT that the Promotional Expenses are incurred: (a) in accordance with the internal control procedures of the REIT Manager; and (b) solely for the purposes as set out in the relevant clauses of the Trust Deed, and review such supporting evidence that it may reasonably deem necessary;

(ii) the aggregate amount of the Promotional Expenses shall be disclosed in the relevant annual report of SF REIT; and

(iii) payment or reimbursement to the Trustee and/or the REIT Manager of such expenses shall be made strictly in accordance with the requirements of the Trust Deed.

For all modifications and waivers from strict compliance with certain requirements of the REIT Code as referred to in this section and the section headed "Connected Party Transactions" in this Offering Circular, notwithstanding any of the foregoing, the SFC reserves the right to review or revise any of the conditions relating to the waivers if there is any subsequent change of circumstances that affects any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waivers granted by the SFC on transactions on the kind to which the transaction belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the independent Unitholders), the REIT Manager shall take immediate steps to ensure compliance with such requirements within a reasonable period.

ISSUE OF OFFERING CIRCULAR IN ELECTRONIC FORM

Pursuant to Rule 20.19A of the Listing Rules, the Offering Circular may be issued in other forms as may be approved by the SFC in lieu of printed form.

In light of the ongoing COVID-19 pandemic and the social distancing measures put in place by the Hong Kong government to restrict public gatherings, having an electronic application process and not despatching any Offering Circular will substantially reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.

It is also noted from the Hong Kong Stock Exchange's executive summary in its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, the Hong Kong Stock Exchange is committed to enhancing listed companies' practice with respect to environmental, social and governance ("**ESG**") and supportive of proposals that "echo the increasing international focus on climate change and its impact on business". Electronic, in lieu of printed, offering circulars and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. It is further noted that the Hong Kong Stock Exchange recently published its Consultation Conclusions on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display in December 2020.

In view of the above, the REIT Manager considers that it is in the interests of both the environment and SF REIT's investors that SF REIT be permitted to publish only an electronic form of the Offering Circular and to adopt a fully electronic application process for the Hong Kong Public Offering. It is the REIT Manager's intention to also adopt a paperless approach with respect to corporate communications with the Unitholders going forwards.

Accordingly, with the enhanced measures set out below, the REIT Manager has applied for, and the SFC has granted, an approval to issue the Offering Circular in electronic form such that SF REIT may publish only an electronic form of the Offering Circular and adopt a fully electronic application process for the Hong Kong Public Offering.

The REIT Manager will not provide printed copies of this Offering Circular or printed copies of any application forms to the public, but will adopt a fully electronic application process, in relation to the Hong Kong Public Offering.

The Hong Kong Unit Registrar has implemented enhanced measures to support the **HK eIPO White Form** service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process. The Hong Kong Unit Registrar will also provide a step-by-step guide setting out the steps for payment and completion of application for retail investors as well as FAQs to address potential questions from retail investors in relation to the **HK eIPO White Form** service. Both the guide and the FAQs will be available in both English and Chinese and will be displayed on the **HK eIPO White Form** service's website at **www.hkeipo.hk** and in the **IPO App**, the mobile application platform under the **HK eIPO White Form** service.

For details of the telephone hotline and the application process, see the section headed "How to Apply for Hong Kong Public Offering Units" in this Offering Circular.

The REIT Manager will adopt additional communication measures to inform potential investors that they can only subscribe for the Hong Kong Public Offering Units electronically, including: (i) publishing a formal notice of the Global Offering on the websites of SF REIT at **www.SF-REIT.com** and the Hong Kong Stock Exchange at **www.hkexnews.hk** and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for unit subscription; (ii) advertising through the **HK eIPO White Form** service in the **IPO App** or at **www.hkeipo.hk** the electronic methods for subscription of the Hong Kong Public Offering Units; (iii) the enhanced support (including the availability of the telephone hotline as well as the guide and FAQs as mentioned above) provided by the Hong Kong Unit Registrar and the **HK eIPO White Form** Service Provider in relation to the Hong Kong Public Offering; and (iv) issuing a press release to remind investors that no printed offering circular or application forms will be provided.

LICENSING CONDITIONS ON THE REIT MANAGER

In addition to the statutory conditions set out in the SFO, the SFC has imposed the following licensing conditions upon the REIT Manager:

(a) the REIT Manager's licence shall lapse and cease to have effect as and when:

  (i) SF REIT is de-authorised; or

  (ii) the REIT Manager ceases to act as the management company of SF REIT; and

(b) for Type 9 regulated activity, the REIT Manager shall only engage in managing SF REIT.

The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisors concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

Investors should note that the following statements are based on advice received by the REIT Manager regarding taxation law, regulation and practice in force as at the date of this Offering Circular and may be subject to change.

PRC TAXATION OF SF REIT

Enterprise Income Tax ("EIT")

Under the EIT Law that became effective on 1 January 2008 and was revised successively in 2017 and 2018, foreign-invested enterprises and PRC domestic companies are generally subject to the standard income tax rate of 25.0% on their taxable profits. In general, subject to certain limitations and specific allowances, all necessary and reasonable expenses incurred in carrying out a business with sufficient supporting documents are deductible for the purpose of computing EIT taxable profits. Tax losses can be carried forward for five consecutive years to offset against the future taxable profits.

In addition, under EIT Law, an enterprise incorporated outside the PRC with its "place of effective management" within the PRC is considered a "resident enterprise" for EIT purposes and will be subject to EIT at the standard income tax rate of 25.0% on its worldwide income. The "place of effective management" is defined as the place where substantive and overall management and control over production and business operations, personnel, finance and accounting, and properties, etc., of the enterprise is conducted.

At present, the only published, interpretative guidance in force on the meaning of the term "place of effective management" can be found in Circular 82. In this context, a Chinese-controlled offshore-incorporated enterprise refers to an enterprise incorporated under the laws of a foreign country or territory and having a Chinese enterprise or enterprise group as its primary controlling shareholder.

Under Circular 82, all of the following conditions must be met in order for a Chinese-controlled offshore-incorporated company to be considered a PRC TRE:

- The senior management team who conduct the daily operation of the enterprise are based in China, and the senior management departments are situated in China to perform their duties;

- Finance-related decisions and human resource-related decisions are made within China or such decisions need final approval by the management in China;

- The main assets, accounting books, financial and board meeting records, company chops, shareholder meeting records of the enterprise are located or maintained in China; and

- At least half of the directors or senior decision makers with voting power reside in China.

Circular 82 technically only applies to Chinese-controlled offshore-incorporated enterprises, but not foreign-controlled offshore-incorporated enterprises. In the absence of specific guidance on the application of the PRC TRE concept to foreign-controlled offshore-incorporated enterprises, the PRC tax authorities may analogously apply the conditions set out in Circular 82 to foreign-controlled offshore-incorporated enterprises. Nevertheless, uncertainty remains as to how the PRC tax authorities will interpret and apply the PRC TRE concept to a foreign-controlled offshore-incorporated enterprise.

As at the Latest Practicable Date, none of the offshore entities of SF REIT has been notified or informed by the PRC tax authorities that it is considered a PRC TRE for EIT purposes. If the PRC tax authorities subsequently determine that SF REIT or its Offshore Property Holding Companies are deemed to be or should be classified as PRC TREs, such offshore entities may be subject to EIT at 25.0% on their worldwide income.

According to the EIT Law, dividends paid by PRC foreign-invested enterprises to their non-PRC parent companies will generally be subject to withholding income tax of 10.0%. However, the withholding income tax of 10.0% may be reduced under an applicable tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated containing a provision that specifically reduces such withholding income tax, and the overseas parent company satisfies the qualifying conditions for the reduced dividend withholding income tax rate under the relevant tax treaty. For example, pursuant to the avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong tax resident and directly holds a 25.0% or more interest in a PRC enterprise, the withholding income tax rate on the dividends distributed by the PRC enterprise may be lowered to 5.0% if the Hong Kong parent company is the "beneficial owner" of the dividends distributed by the PRC enterprise.

The dividend recipient's "beneficial owner" status is typically a necessary condition for the recipient to qualify for the reduced dividend withholding tax rate under an applicable tax treaty. The PRC State Taxation Administration promulgated rules concerning the determination of a recipient's beneficial owner status under tax treaties. In that regard, the currently applicable rules are principally set out in Bulletin 9. Bulletin 9 provides that a "beneficial owner" is a person who has the ownership and control over the relevant income or the rights or properties that generate the relevant income. A beneficial ownership analysis will be made based on a totality of facts of each case and the "substance-over-form" principle to determine whether a recipient is entitled to tax treaty benefits. Generally speaking, a conduit or shell company without substantial business activities will not be recognised as a "beneficial owner".

In general, dividends paid by the PRC Property Companies to their respective parent HK (PRC Property) Holding Companies will be subject to withholding income tax of 10.0% and the withholding obligation will arise at the date when dividends are actually paid. However, as stated above, the withholding income tax rate may be lowered to 5.0% if the relevant HK (PRC Property) Holding Company is the "beneficial owner" of the dividends distributed by the PRC Property Company held by it and holds a 25% or more interest in that PRC Property Company pursuant to the avoidance of double taxation arrangement between Hong Kong and the PRC. For the uncertainties regarding the HK (PRC Property) Holding Companies being regarded as the "beneficial owner", please refer to the section headed "Risk Factors – Risks relating to the Real Estate Industry and Overseas Investments into the PRC – There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of the PRC Property Companies" in this Offering Circular.

Value-added Tax ("VAT")

The Provisional Regulations of the PRC Concerning VAT promulgated by the State Council came into effect on 1 January 1994, which was revised in 2008, 2016 and 2017, respectively. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC Concerning VAT, VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC. At present, a VAT rate of 13.0% is applicable on taxable items encompassing the sale of most tangible goods and the provision of certain labour in respect of processing goods, repair and replacement services undertaken in the PRC.

A turnover tax reform launched on 1 August 2013 gradually brought all services that were previously subject to business tax, a legacy turnover tax that used to run in parallel with VAT, into the VAT regime. The turnover tax reform was completed in 1 May 2016, upon which all services that were subject to business tax prior to the reform became subject to VAT instead. At present, where the service provider is a general VAT taxpayer, income from construction services, the sale and lease of immoveable properties is generally subject to VAT at 9.0% (the taxpayer may elect the simplified tax calculation method with a VAT collection rate at 5.0% for the sale and leasing of immoveable properties acquired prior to 1 May 2016), while the applicable VAT rate is 6.0% for financial services and most other modern services. As the PRC Properties were built or acquired after 1 May 2016, the PRC Property Companies are subject to VAT at 9.0% for the sale and leasing of the Properties.

Urban Construction and Maintenance Tax together with Education Surcharge and Local Education Surcharge are generally payable at a rate, in aggregate, of 6.0% to 12.0% of the VAT.

Real Estate Tax ("RET")

PRC Properties owned by an enterprise will be subject to RET at variable rates depending on locality. In certain localities, RET is applicable at a rate of 1.2% of the original value of the building less a standard deduction which ranges from 10.0% to 30.0% of the original value for self-used part of properties and at a rate of 12.0% of the rental income for rent-out part of properties.

China Indirect Transfer Tax

On 3 February 2015, the State Taxation Administration issued the Bulletin on Certain Issues relating to Enterprise Income Tax on Indirect Transfers of Properties by Non-resident Enterprises ("**Bulletin 7**"). Bulletin 7 is the principal set of currently applicable regulations regarding the PRC tax treatment of "indirect" transfers of PRC taxable properties undertaken by non-resident enterprises ("**Offshore Investors**"). PRC taxable properties include equity interests in enterprises resident in the PRC, PRC immovable properties and "establishments or places" of non-resident enterprises in the PRC.

Under Bulletin 7, the PRC tax authorities can apply a 10.0% EIT on gains derived by the Offshore Investor on an indirect transfer of PRC taxable property if the arrangement is considered to lack "reasonable commercial purpose" and the transferor has avoided payment of EIT.

There are three specific safe harbour provisions under Bulletin 7, namely the intragroup restructuring safe harbour, the public trading safe harbour and the treaty safe harbour:

- Intragroup restructuring safe harbour – Three conditions have to be met for an indirect transfer to qualify for the intragroup restructuring safe harbour. The conditions are: (i) there is 80.0% (or 100.0%, if more than 50.0% of the offshore target company's equity value is derived from PRC immovable properties) of common shareholding relationship between the transferor and the transferee; (ii) the actual Chinese income tax burden on any future indirect transfer of the underlying PRC taxable property will not be less than the Chinese income tax burden on the same or a similar indirect transfer that can be conducted before the subject indirect transfer; and (iii) consideration for the indirect transfer must be in non-listed shares in the transferee or its controlled enterprise.

- Public trading safe harbour – This safe harbour applies to a sale of listed shares of an offshore listed company that directly or indirectly owns PRC taxable property, provided that both the buying and selling of the listed shares are conducted in the public securities market.

- Treaty safe harbour – This safe harbour applies to a sale of shares in an offshore company that directly or indirectly owns PRC taxable properties where the Offshore Investor could be exempted from EIT according to an applicable tax treaty had it directly held and transferred the underlying PRC taxable property.

An indirect transfer of PRC taxable property that qualifies for a safe harbour will be deemed to have reasonable commercial purpose, such that a qualifying indirect transfer of PRC taxable property will not be taxable under Bulletin 7. The "blacklist" test applies to an indirect transfer of PRC taxable property that does not qualify for any safe harbour. If an indirect transfer of PRC taxable property meets all four conditions (i.e., (i) 75.0% or more of the equity value of the offshore target company is directly or indirectly derived from PRC taxable properties; (ii) 90.0% or more of the total assets of the offshore target company are attributed to PRC taxable properties at any time during the one year period prior to the subject indirect transfer or 90.0% or more of the revenue of the offshore target company in the one year period prior to the subject indirect transfer is PRC-sourced; (iii) the offshore target company and its underlying affiliates that directly or indirectly hold PRC taxable property have only completed the formality of registration in their countries or regions and fulfilled legal organisational requirements, but the actual functions they performed and the risks they assumed are too limited to prove that they have economic substance; and (iv) the foreign income tax payable on the indirect transfer of PRC taxable property is lower than the possible China taxes payable on the direct transfer of China taxable property) under the "blacklist" test, that indirect transfer will be deemed to lack reasonable commercial purpose and will thus be taxable under Bulletin 7.

For an indirect transfer of PRC taxable property that neither qualifies for any safe harbour nor is deemed as lack of reasonable commercial purpose under the "blacklist" test, the PRC tax authorities should apply the comprehensive reasonable commercial purpose test to determine that indirect transfer's taxability under Bulletin 7. While the PRC tax authorities are required to take into account all relevant facts and circumstances when applying the comprehensive reasonable commercial purpose test, the relevant provision in Bulletin 7 specifically lists eight factors that have to be considered:

1. whether the equity value of the offshore target company is mainly directly or indirectly derived from PRC taxable property;

2. whether the assets of the offshore target company mainly comprise direct or indirect investments situated in China, or whether the revenue of the offshore target company is mainly sourced directly or indirectly from China;

3. whether the actual functions performed by or actual risks assumed by the offshore target company and its underlying affiliates that directly or indirectly hold PRC taxable property are able to prove that the enterprise structure has economic substance;

4. the duration of the shareholders of the offshore target company, business model and relevant organisation structures that are in existence;

5. the foreign taxes payable on the indirect transfer;

6. the substitutability of indirect investment, indirect transfer of PRC taxable property and direct investment, direct transfer of PRC taxable property;

7. the applicable tax treaties or arrangements in China with respect to the income derived from the indirect transfer of PRC taxable property; and

8. other relevant factors.

Under Bulletin 7, where a non-resident enterprise conducts an indirect transfer of PRC taxable property, the transferor, the transferee and/or the PRC resident enterprise being indirectly transferred (if any) may report the indirect transfer to the relevant PRC tax authorities. However, Bulletin 7 does not provide for clear guidance on various issues, for instance, the tax basis, the allocation of transfer price to various PRC enterprises and the timeline for the formal binding decision of the tax authorities on a Bulletin 7 transaction.

The sale of the Golden Bauhinia Share by SF Fengtai to the Purchaser pursuant to the Asset Injection constitutes an indirect transfer of PRC taxable properties undertaken by non-resident enterprises under Bulletin 7. None of the safe harbour provisions apply to such transfer. The relevant parties may report the Asset Injection to the relevant PRC tax authority for tax filing purposes. SF Fengtai will be subject to 10% EIT on the gains derived from the indirect transfer of the PRC taxable property, and all tax liabilities arising out of Bulletin 7 in relation to the Asset Injection would be borne by SF Fengtai. According to Bulletin 7, the Purchaser has the obligation to withhold such 10% EIT and fail of withholding may lead to a potential penalty if such 10% EIT is not settled by the SF Fengtai.

Land Appreciation Tax ("LAT")

According to the PRC Interim Regulation on LAT implemented in January 1994, its implementation rules of 1995 and subsequent supplemental regulations related thereto, the LAT applies to both domestic and foreign investors in real properties in the PRC. The tax is payable by a taxpayer on the gains from the transfer of land use right, buildings or other facilities on such land, after deducting "deductible items" that include the following:

- payments made to acquire land use right;
- costs and charges incurred in connection with land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use right, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance of the PRC.

Where the taxpayer is developing a project, the applicable tax is payable on provisional basis. At the end of the project or upon satisfaction of other statutory conditions, taxpayers should file LAT clearance return for the whole project.

The tax rate is progressive and ranges from 30% to 60% of the gain, as follows:

Appreciation Value	**Tax Rate**
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

Urban Land Use Tax

According to the PRC Interim Regulations on Land Use Tax in respect of Urban Land promulgated by the State Council in September 1988 and subsequent supplemental regulations related thereto, the land use tax in respect of urban land is levied according to the area of relevant land. At present, the annual tax rate ranges between RMB0.6 and RMB30 per sq.m. of urban land.

Deed Tax

According to the PRC Deed Tax Law promulgated in August 2020, deed tax is levied on the transfer of real property. The transferee/assignee is the taxpayer. Generally, the rates range from 3% to 5% of the transfer price, depending upon the locality where the transferred real property is located.

Stamp Duty

According to the PRC Interim Regulations on Stamp Duty promulgated by the State Council in August 1988 and amended on 8 January 2011, stamp duty is payable on all dutiable documents executed or used in the PRC. Property transfer instruments, including those in respect of property ownership transfers, are subject to stamp duty at a rate of 0.05% of the amount stated therein. Stamp duty at 0.1% of the rental applies to leasing contracts.

Urban Construction and Maintenance Tax

According to the PRC Interim Regulations on Urban Construction and Maintenance Tax promulgated by the State Council in 1985 and subsequent supplemental regulations related thereto, a taxpayer of consumption tax, VAT or business tax (which has been replaced by VAT upon completion of the Turnover Tax Reform as at 1 May 2016) is required to pay urban construction and maintenance tax calculated on the basis of consumption tax, VAT and business tax. Generally, the tax rate is 7.0% for a taxpayer in an urban area, 5.0% in a county or a town, and 1.0% for a taxpayer not in any urban area or county or town.

Education Surcharge and Local Education Surcharge

According to the Interim Provisions on Imposition of Education Surcharge promulgated by the State Council in April 1986 and amended in 1990, 2005 and 2011, any taxpayer of VAT, business tax (which has been replaced by VAT upon completion of the Turnover Tax Reform as at 1 May 2016) or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. The Education Surcharge rate is generally 3% calculated on the basis of VAT business tax and consumption tax.

In addition, on 7 November 2010, the Ministry of Finance published the Notice on Issues Concerning Policies on Unifying Local Education Surcharge that provides a general rate of 2.0% for the local education surcharge on the basis of VAT, business tax or consumption tax.

PRC TAXATION OF THE UNITHOLDERS

Regarding the distributions from SF REIT and gains from disposal of Units, if a Unitholder is a PRC tax resident or is deemed to be a PRC tax resident, a Unitholder will be subject to PRC tax on distributions from SF REIT and gains from disposal of units.

However, special exemptions apply to certain individual PRC tax resident who are not domiciled in the PRC. Pursuant to the PRC Implementing Regulations of the Individual Income Tax Law revised in 2018, an individual who has no domicile in China but has resided in China for not more than six consecutive years in each of which he resided for 183 days or more accumulatively shall be exempted from individual income tax on his income derived outside the territory of China and paid by any overseas entity or individual, subject to record-filing with the tax authority.

If a Unitholder is neither a PRC tax resident nor deemed to be a PRC tax resident, such Unitholder should not be subject to PRC tax on distributions from SF REIT and gains from disposal of Units unless SF REIT is a deemed to be a PRC TRE.

For individual Unitholders who are not tax residents of the PRC, income derived from the transfer of equity assets formed from investment in enterprises and other organisations outside the territory of China shall be domestic-sourced income and is therefore subject to PRC tax if at any time within the three years (36 consecutive calendar months) before the equity assets are transferred, 50% or more of the fair value of the assets of the invested enterprises or other organisations is derived directly or indirectly from real estate located in the territory of China, pursuant to the Public Notice Regarding the Individual Income Tax Treatment on Foreign Income published on 17 January 2020. Currently, the fair value of PRC Properties represents less than 50% of the total value of SF REIT.

Further, regardless of whether SF REIT is deemed to be a PRC TRE, if any non-PRC tax resident corporate Unitholder has indirectly transferred PRC taxable property through the disposal of Units, such disposal may trigger the application of Bulletin 7. However, pursuant to the safe harbour provision in Bulletin 7 for the sale of listed shares of an offshore listed company (see the section headed "Taxation – PRC Taxation of SF REIT – China Indirect Transfer Tax" in this Offering Circular for details), gains from disposal of Units on the Hong Kong Stock Exchange, subject to meeting certain requirements, may qualify for the public trading safe harbour, and be exempt from EIT.

HONG KONG TAXATION OF SF REIT

Profits Tax

SF REIT, as a collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO, is exempt from Hong Kong profits tax.

If the Special Purpose Vehicles are regarded as carrying on a trade, profession or business in Hong Kong either on their own account or through another person (e.g. the REIT Manager) acting on their behalf in Hong Kong, a liability to Hong Kong profits tax will arise in respect of profits arising from Hong Kong from that trade, profession or business carried on in Hong Kong and which do not relate to profits from a sale of capital assets. The current Hong Kong profits tax rate is 16.5% for corporations. A two-tiered profits tax rates regime applies in Hong Kong commencing from the 2018/19 year of assessment. Under such regime, the rate of tax for the first HK$2 million of assessable profits of a nominated entity within the group will be reduced by half from 16.5% to 8.25% on a self-election basis, with certain exceptions, while the remaining profits will continue to be taxed at the normal rate of 16.5%. However, only one entity of each group of "connected entities" (as defined in the relevant tax legislation) can elect to apply the two-tiered rates.

Withholding Tax

Distributions made by SF REIT to the Unitholders are not subject to any withholding tax in Hong Kong.

Stamp Duty

No Hong Kong stamp duty is payable by SF REIT on the issue of new Units. Subsequent dealings by the Unitholders in Units will be subject to Hong Kong stamp duty. For details, please refer to the sub-section headed "Hong Kong Taxation of the Unitholders" below.

HONG KONG TAXATION OF THE UNITHOLDERS

Profits Tax

Where the Unitholders do not carry on a trade, profession or business in Hong Kong or the Units in the SF REIT are held by the Unitholders as capital assets for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Units in the SF REIT should not be taxable. For Unitholders carrying on a trade, profession or business in Hong

Kong, such gains may be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of individuals and unincorporated business, subject to the election of two-tiered rates as explained above) if the gains in question arise in or are derived from such trade, profession or business carried on in Hong Kong and are of a revenue nature.

Under the Hong Kong Inland Revenue Department's current practice (as at the date of the Latest Practicable Date), Hong Kong profits tax will generally not be payable by any Unitholder on the distributions made by SF REIT. The Unitholders should take advice from their own professional advisors as to their particular tax position.

Stamp Duty

No Hong Kong stamp duty is payable by the Unitholders in relation to the issue of the new Units to them by SF REIT.

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Units, whether or not the purchase or sale is on or off the Hong Kong Stock Exchange. The duty is currently charged at the rate of 0.2% of the higher of the consideration paid or the value of the Units transferred (the buyer and seller each being liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of the Units.

BVI TAXATION OF SF REIT

The Purchaser, Chui Yuk, Goodear, Golden Bauhinia and the BVI (PRC Property) Holding Companies (together, the "**BVI Companies")** and all dividends, interest, rents, royalties, compensation and other amounts paid by the BVI Companies to persons who are not resident in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of the BVI Companies by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Act in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligation or other securities of the BVI Companies.

All instruments relating to transfers of property to or by the BVI Companies and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the BVI Companies and all instruments relating to other transactions relating to the business of the BVI Companies are exempt from payment of stamp duty in the BVI. This assumes that the BVI Companies do not hold an interest in real estate in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the BVI Companies or its members.

HONG KONG UNDERWRITERS

DBS Asia Capital Limited
Credit Suisse (Hong Kong) Limited
J.P. Morgan Securities (Asia Pacific) Limited

UNDERWRITING

This Offering Circular is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Offering Circular and the related application form contain the terms and conditions of the Hong Kong Public Offering. The Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters. Pursuant to the International Underwriting Agreement, the International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the REIT Manager, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 52,000,000 Hong Kong Public Offering Units and the International Offering of initially 468,000,000 International Offering Units, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this Offering Circular as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 4 May 2021. Pursuant to the Hong Kong Underwriting Agreement, SF REIT is offering the Hong Kong Public Offering Units for subscription at the Offer Price on the terms and subject to the conditions set out in this Offering Circular and the **GREEN** Application Form.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Units in issue and to be issued pursuant to the Global Offering on the Main Board of the Hong Kong Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to subscribe or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Public Offering Units being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this Offering Circular, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination by the Hong Kong Underwriters

The Sole Listing Agent and/or the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, in their absolute discretion and by giving notice to the REIT Manager, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any event, circumstance, or series of events, in or affecting, Hong Kong, the PRC, the United States, the United Kingdom, the European Union (as a whole) or any other jurisdiction relevant to the REIT Manager or any member of SF REIT Group (collectively, the "**Relevant Jurisdictions**" and each a "**Relevant Jurisdiction**"), in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions (in whatever form), strike, lock-out, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed));

(ii) any change or development involving a prospective change, or any event, or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market matters or conditions or any monetary or trading settlement system or other financial market (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any Relevant Jurisdiction;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange;

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority ("**Authority**")), New York (imposed at Federal or New York State level or other competent Authority), the United Kingdom, the PRC, the European Union (as a whole) or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent Authority in or affecting any Relevant Jurisdiction;

(vi) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, in any of the Relevant Jurisdiction;

(vii) an order or petition for the winding-up or liquidation of the REIT Manager or any member of the SF REIT Group or any composition or arrangement made by the REIT Manager or any member of the SF REIT Group or any of the Controlling Unitholders with its creditors or a scheme of arrangement entered into by the REIT Manager or any member of the SF REIT Group or any resolution for the winding-up of the REIT Manager or any member of the SF REIT Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of the REIT Manager or any member of the SF REIT Group or the Controlling Unitholders or anything analogous thereto occurring in respect of the REIT Manager or any member of the SF REIT Group or the Controlling Unitholders;

(viii) any litigation, dispute, legal action or claim of material importance to the business, financial performances or operation for the SF REIT Group being threatened or instigated against the REIT Manager or any member of the Group;

(ix) an Authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;

(x) any contravention by the REIT Manager or any member of the SF REIT Group of the REIT Code, the SFO, the Listing Rules or applicable laws;

(xi) a prohibition on SF REIT for whatever reason from offering, allotting, issuing, selling or delivering the Units (including the Units to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering;

(xii) a Director (excluding the independent non-executive Directors), responsible officer or any member of the senior management of the REIT Manager as named in the Offering Circular being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company;

(xiii) the chairman, chief executive officer or response officers of the REIT Manager vacating his or her office;

(xiv) except with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by the REIT Manager to issue any supplement or amendment to this Offering Circular (or to any other documents used in connection with the Global Offering) pursuant to the SFO, the REIT Code, or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Listing Agent and the Joint Global Coordinators:

(1) has or will or may have a material adverse affect on the assets, liabilities, general affairs, business, management, prospects, Unitholders' equity, profits, losses, results of operations, performance, position or condition, financial or otherwise, of the REIT Manager, SF REIT or the SF REIT Group as a whole;

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications or the distribution of the Offer Units under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering;

(4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators that:

(i) the Trustee or the REIT Manager seeks to retire, or is removed, as the trustee or the management company of SF REIT, respectively;

(ii) any statement contained in this Offering Circular, the **GREEN** Application Form and the formal notice and/or any notices, announcements, advertisements, roadshow materials, investor communication materials, communications or other documents issued or used by or on behalf of the REIT Manager in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the "**Offer-Related Document**") but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

(iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Offering Circular, constitute a material omission from, or misstatement in, any Offer-Related Documents;

(iv) there is a material breach of any of the obligations imposed upon any party (other than upon any of the Joint Global Coordinators, the Sole Listing Agent or the Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, or any event or circumstance rendering any of the warranties given by the REIT Manager, SF Fengtai and SF Holding in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, untrue, incorrect, incomplete in any material respect or misleading;

(v) there is any material adverse change (as defined in the Hong Kong Underwriting Agreement);

(vi) the approval of the Listing Committee of the listing of, and permission to deal in, the Units in issue and to be issued pursuant to the Global Offering (including the Units which may be issued pursuant to the exercise of the Over-allotment Option), is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;

(vii) any expert named in the section headed "Statutory and General Information – 3. Qualifications and consents of experts" in Appendix VIII to this Offering Circular (other than the Sole Listing Agent) has withdrawn its consent to the issue of this Offering Circular with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(viii) the REIT Manager withdraws this Offering Circular (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) there is a prohibition on the REIT Manager for whatever reason from offering, allotting, issuing or selling any of the Offer Units pursuant to the terms of the Global Offering.

Undertakings

(A) Undertakings by the REIT Manager

Save for the issue, offer or sale of the Offer Units by SF REIT pursuant to the Reorganisation and the Global Offering, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"), the REIT Manager has undertaken to each of the Joint Global Coordinators, the Sole Listing Agent and the Hong Kong Underwriters not to, without the prior written consent of the Sole Listing Agent and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Units or other securities of SF REIT, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Units or other securities of SF REIT); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Units or other securities of SF REIT, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Units or other securities of SF REIT); or

(iii) enter into any transaction with the same economic effect as any transaction specified in Clause (i) or (ii) above; or

(iv) offer to or contract to or agree to or announce, or publicly disclose that the REIT Manager will or may enter into any transaction described in Clause (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in Clause (i), (ii) or (iii) above is to be settled by delivery of Units or other securities of SF REIT, in cash or otherwise (whether or not the issue of such Units or other securities of SF REIT will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the REIT Manager enters into any of the transactions specified in Clause (i), (ii) or (iii) above or offers to or agrees to or contracts to or announces, or publicly discloses, any intention to, enter into any such transactions, the REIT Manager shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Units or other securities of SF REIT. SF Fengtai and SF Holding undertake to each of the Joint Global Coordinators, the Sole Listing Agent, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters to procure the REIT Manager to comply with the undertakings in this Clause (A).

(B) Undertakings by SF Fengtai and SF Holding

Each of SF Fengtai and SF Holding has undertaken to each of the REIT Manager, the Joint Global Coordinators, the Sole Listing Agent and the Hong Kong Underwriters that, without the prior written consent of the Sole Listing Agent and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(a) save for pursuant to any exercise of the Over-allotment Option or the lending of Units pursuant to the Unit Borrowing Agreement, during the First Six-Month Period, it will not, and will procure that SF Holding, Sunny Sail and SF Fengtai (together referred as the "**Controlling Unitholders**") and the relevant registered holder(s) will not:

(i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Units or other securities of SF REIT or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Units or other securities of SF REIT) beneficially owned by it as of the Listing Date (the "**Locked-up Securities**");

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities;

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or

(iv) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction specified in paragraph (i), (ii) or (iii) above,

in each case, whether any such transaction specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Units or other securities of SF REIT, in cash or otherwise (whether or not the settlement or delivery of such Units or other securities will be completed within the First Six-Month Period);

(b) during the Second Six-Month Period, it will not, and will procure that the Controlling Unitholders and the relevant registered holder(s) will not, enter into any transaction specified in paragraph (i), (ii) or (iii) above in respect of any Locked-up Securities or offer to or agree to or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it would cease to be the direct or indirect owner of Units which represents at least 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the issued Units of SF REIT;

(c) until the expiry of the Second Six-Month Period, in the event that it, any of the Controlling Unitholders or the relevant registered holder(s) enters into any such transactions specified in (i), (ii) or (iii) above or offers to or agrees to or contracts to or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of SF REIT; and

(d) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it will (a) if and when it, any of the Controlling Unitholders or the relevant registered holder(s) pledges or charges any Units or other securities of SF REIT beneficially owned by it, immediately inform the REIT Manager, the Sole Listing Agent, and the Joint Global Coordinators in writing of such pledge or charge together with the number of Units or other securities of SF REIT so pledged or charged; and (b) if and when it, any of the Controlling Unitholders or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Units or other securities of SF REIT will be disposed of, immediately inform the REIT Manager, the Sole Listing Agent and the Joint Global Coordinators in writing of such indications.

Indemnity

The REIT Manager has agreed to indemnify the Sole Listing Agent, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in SF REIT

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Unit Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Units or any securities of SF REIT, the REIT Manager or the Trustee or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Units or any securities of the REIT Manager or the Trustee.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Units as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the International Underwriting Agreement is expected to be entered into between, among others, the REIT Manager, SF Holding, SF Fengtai, the Sole Listing Agent, the Joint Global Coordinators and the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offering Units initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. See the section headed "Structure of the Global Offering – The International Offering" in this Offering Circular.

Over-allotment Option

SF Fengtai is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to which SF Fengtai may be required to sell up to an aggregate of 26,000,000 Units, representing 5% of the number of Units under the Global Offering, to be offered to investors to, among other things, cover over-allocations of Units, if any. Please refer to the section headed "Structure of the Global Offering – Over-allotment Option" in this Offering Circular.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 1.00% of the aggregate Offer Price of all the Offer Units, out of which they will pay any sub-underwriting commissions and other fees.

The REIT Manager agrees at its discretion to pay to the Joint Global Coordinators an incentive fee of up to 0.75% of the aggregate Offer Price of all the Offer Units.

For any unsubscribed Hong Kong Public Offering Units reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$4.92 per Offer Unit (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$47.0 million.

The aggregate underwriting commissions and fees together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$88.9 million (assuming an Offer Price of HK$4.92 per Offer Unit (which is the mid-point of the Offer Price Range) and the full payment of the discretionary incentive fee) and will be paid by SF REIT.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of SF REIT and/or persons and entities with relationships with SF REIT and may also include swaps and other financial instruments entered into for hedging purposes in connection with SF REIT's loans and other debt.

In relation to the Units, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Units, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Units (which financing may be secured by the Units) in the Global Offering, proprietary trading in the Units and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Units. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Units, which may have a negative impact on the trading price of the Units. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Units, in baskets of securities or indices including the Units, in units of funds that may purchase the Units, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Units as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Units in most cases.

All such activities may occur both during and after the end of the stabilising period described in section headed "Structure of the Global Offering" in this Offering Circular. Such activities may affect the market price or value of the Units, the liquidity or trading volume in the Units and the volatility of the price of the Units, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Units, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Units), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Units at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the REIT Manager and/or its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Units in the Global Offering.

THE GLOBAL OFFERING

This Offering Circular is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Sole Listing Agent has made an application on behalf of SF REIT to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Units in issue and to be issued as mentioned in this Offering Circular.

520,000,000 Offer Units will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 52,000,000 Units (subject to reallocation) in Hong Kong as described in the sub-section headed "The Hong Kong Public Offering" below; and

(b) the International Offering of initially 468,000,000 Units (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the sub-section headed "The International Offering" below.

Investors may either:

(a) apply for Hong Kong Public Offering Units under the Hong Kong Public Offering; or

(b) apply for or indicate an interest for International Offering Units under the International Offering,

but may not do both.

The Offer Units will represent approximately 65.0% of the total Units in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Units will represent approximately 68.2% of the total Units in issue immediately following the completion of the Global Offering.

References in this Offering Circular to applications, the **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Units initially offered

SF REIT is initially offering 52,000,000 Units for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Units initially available under the Global Offering. The number of Units initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Units between the International Offering and the Hong Kong Public Offering, will represent approximately 6.5% of the total Units in issue immediately following the completion of the Global Offering assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the sub-section headed "Conditions of the Global Offering" below.

Allocation

Allocation of Offer Units to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Units validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Units, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Units.

For allocation purposes only, the total number of Hong Kong Public Offering Units available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Public Offering Units in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offering Units with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Public Offering Units in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offering Units with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Public Offering Units in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Public Offering Units will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Public Offering Units means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offering Units from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 26,000,000 Hong Kong Public Offering Units is liable to be rejected.

Reallocation

The allocation of the Offer Units between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires that a clawback mechanism to be put in place that would have the effect of increasing the number of Offer Units offered under the Hong Kong Public Offering to a certain percentage of the total number of Offer Units offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Units validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Units initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Units will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Units available under the Hong Kong Public Offering will be increased from 52,000,000 Offer Units to 156,000,000 Offer Units, representing 30% of the Offer Units initially available under the Global Offering;

- if the number of Offer Units validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Units initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Units will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Units available under the Hong Kong Public Offering will be increased from 52,000,000 Offer Units to 208,000,000 Offer Units, representing 40% of the Offer Units initially available under the Global Offering; and

- if the number of Offer Units validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Units initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Units will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Units available under the Hong Kong Public Offering will be increased from 52,000,000 Offer Units to 260,000,000 Offer Units, representing 50% of the Offer Units initially available under the Global Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Public Offering Units to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

In addition to any mandatory reallocation required as described above, the Joint Global Coordinators may reallocate Offer Units initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed (irrespective of the number of times); or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Units validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Offer Units initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators may reallocate International Offering Units originally included in the International Offering to the Hong Kong Public Offering, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, the total number of Offer Units available under the Hong Kong Public Offering following such reallocation shall not be more than 104,000,000 Offer Units (representing two times the number of Hong Kong Public Offering Units initially available under the Hong Kong Public Offering and 20% of the total number of Offer Units initially available under the Global Offering) and the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK$4.68 per Offer Unit) stated in this Offering Circular.

In each case, the additional Offer Units reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Units allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

Details of any reallocation of Offer Units between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, expected to be published on Friday, 14 May 2021.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offering Units under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offering Units under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$5.16 per Offer Unit in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Unit, amounting to a total of HK$5,212.00 for one board lot of 1,000 Units. If the Offer Price, as finally determined in the manner described in the sub-section headed "Pricing and Allocation" below, is less than the Maximum Offer Price of HK$5.16 per Offer Unit, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Public Offering Units" in this Offering Circular.

THE INTERNATIONAL OFFERING

Number of Offer Units initially offered

The International Offering will consist of an offering of initially 468,000,000 Units representing 90% of the total number of Offer Units initially available under the Global Offering. The number of Units initially offered under the International Offering, subject to any reallocation of Offer Units between the International Offering and the Hong Kong Public Offering, will represent approximately 58.5% of the total Units in issue immediately following the completion of the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Units to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Units in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Units pursuant to the International Offering will be effected in accordance with the "book-building" process described in the sub-section headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Units after the Listing. Such allocation is intended to result in a distribution of the Units on a basis which would lead to the establishment of a solid professional and institutional Unitholder base to the benefit of SF REIT and the Unitholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Units under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Units under the Hong Kong Public Offering.

Reallocation

The total number of Offer Units to be issued pursuant to the International Offering may change as a result of reallocation to the Hong Kong Public Offering in the case of over-subscription under the Hong Kong Public Offering as described in the sub-section headed "The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Units originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, SF Fengtai is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require SF Fengtai to sell up to an aggregate of 26,000,000 Units, representing 5% of the total number of Units under the Global Offering, to be offered to investors as part of the International Offering to, among other things, cover over-allocations of Units, if any.

If the Over-allotment Option is exercised in full, the additional International Offering Units to be sold pursuant thereto will represent approximately 3.3% of the total Units in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any of its affiliates or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Units at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any of its affiliates or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or any of its affiliates or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of the SF REIT, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Units, (b) selling or agreeing to sell the Units so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Units, (c) purchasing, or agreeing to purchase, the Units pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Units for the sole purpose of preventing or minimising any reduction in the market price of the Units, (e) selling or agreeing to sell any Units in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Units should note that:

(a) the Stabilising Manager (or any of its affiliates or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Units;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any of its affiliates or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any of its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Units;

(d) no stabilising action can be taken to support the price of the Units for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Wednesday, 9 June 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Units, and therefore the price of the Units, could fall;

(e) the price of the Units cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Units.

The REIT Manager will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-Allocation

Following any over-allocation of Units in connection with the Global Offering, the Stabilising Manager (or any of its affiliates or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Units purchased by the Stabilising Manager (or any of its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Unit Borrowing Agreement as detailed below or a combination of these means.

UNIT BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager (or any of its affiliates or any person acting for it) may choose to borrow up to 26,000,000 Units (being the maximum number of Units which may be sold pursuant to the exercise of the Over-allotment Option) from SF Fengtai, pursuant to the Unit Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or any of its affiliates or any person acting for it) and SF Fengtai on or about the Price Determination Date.

If the Unit Borrowing Agreement with SF Fengtai is entered into, the borrowing of Units will only be effected by the Stabilising Manager (or any of its affiliates or any person acting for it) for the settlement of over-allocations in the International Offering.

The same number of Units so borrowed must be returned to SF Fengtai or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Unit borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to SF Fengtai by the Stabilising Manager (or any of its affiliates or any person acting for it) in relation to such Unit borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Units for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Monday, 10 May 2021, and in any event, no later than Tuesday, 11 May 2021, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the REIT Manager, and the number of Offer Units to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$5.16 per Offer Unit and is expected to be not less than HK$4.68 per Offer Unit, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$5.16 per Offer Unit plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK$5,212.00 for one board lot of 1,000 Units. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this Offering Circular.**

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Units in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Units under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the REIT Manager, reduce the number of Offer Units offered and/or the Offer Price Range below that stated in this Offering Circular at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the REIT Manager will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the SF REIT and the Hong Kong Stock Exchange at **www.SF-REIT.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Units and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the REIT Manager, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Public Offering Units, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Units and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Offering Circular, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Units will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the REIT Manager, will under no circumstances be set outside the Offer Price Range as stated in this Offering Circular.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Public Offering Units and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Public Offering Units – D. Publication of Results" in this Offering Circular.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Joint Global Coordinators (on behalf of the Underwriters) and the REIT Manager agreeing on the Offer Price.

The REIT Manager expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed "Underwriting" in this Offering Circular.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Units will be conditional on:

(a) the SFC having authorised this Offering Circular pursuant to section 105 of the SFO;

(b) the Listing Committee granting approval for the listing of, and permission to deal in, the Units in issue and to be issued pursuant to the Global Offering on the Main Board of the Hong Kong Stock Exchange and such approval not having been withdrawn;

(c) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the REIT Manager;

(d) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(e) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this Offering Circular.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the REIT Manager on or before Tuesday, 11 May 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of the REIT and the Hong Kong Stock Exchange at **www.SF-REIT.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in section headed "How to Apply for Hong Kong Public Offering Units" in this Offering Circular. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Unit certificates for the Offer Units will only become valid at 8:00 a.m. on Monday, 17 May 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE UNITS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 17 May 2021, it is expected that dealings in the Units on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, 17 May 2021.

The Units will be traded in board lots of 1,000 Units each and the stock code of the Units will be 2191.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this Offering Circular or any printed copies of any application forms for use by the public.

This Offering Circular is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.SF-REIT.com**. If you require a printed copy of this Offering Circular, you may download and print from the website addresses above.

Set out below are procedures through which you can apply for the Hong Kong Public Offering Units electronically. We will not provide any physical channels to accept any application for the Hong Kong Public Offering Units by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this Offering Circular is available online at the website addresses above.

If you have any question about the application online via **HK eIPO White Form** service for the Hong Kong Public Offering Units, you may call the enquiry hotline of the Hong Kong Unit Registrar, at +852 3907 7333 during (i) 9:00 a.m. to 9:00 p.m. on Wednesday, 5 May 2021, Thursday, 6 May 2021 and Friday, 7 May 2021; (ii) 9:00 a.m. to 6:00 p.m. on Saturday, 8 May 2021 and Sunday, 9 May 2021; and (iii) 9:00 a.m. to 12:00 noon on Monday, 10 May 2021.

A. APPLICATIONS FOR HONG KONG PUBLIC OFFERING UNITS

1. How to Apply

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Public Offering Units, then you may not apply for or indicate an interest for International Offering Units.

To apply for Hong Kong Public Offering Units, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Public Offering Units successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Public Offering Units successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

No money shall be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The REIT Manager, the Trustee, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Public Offering Units if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Public Offering Units online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, the REIT Manager, the Trustee and the Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Public Offering Units.

If you are applying for the Hong Kong Public Offering Units online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

Unless permitted by the Listing Rules or the REIT Code, you cannot apply for any Hong Kong Public Offering Units if:

- you are an existing beneficial owner of Units or a close associate of any such owner;
- you are a Director of the REIT Manager or a close associate of any such Director;
- you are a core connected person of SF REIT or a person who will become a core connected person of SF REIT immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offering Units or otherwise participate in the International Offering.

References to "close associate" and "core connected person" use to such terms as defined in the Listing Rules as if applicable to REITs.

3. Terms and Conditions of an Application

By applying through the application channels specified in this Offering Circular, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the REIT Manager, the Trustee and/or the Joint Global Coordinators (or their agents or nominees), as agents of SF REIT, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offering Units allocated to you in your name or in the name of HKSCC Nominees as required by the Trust Deed;

(b) agree to comply with the Trust Deed;

(c) confirm that you have read the terms and conditions and application procedures set out in this Offering Circular, in the **IPO App** and on the designated website under the **HK eIPO White Form** service, and agree to be bound by them;

(d) confirm that you have received and read this Offering Circular and have relied only on the information and representations in this Offering Circular in making your application and will not rely on any other information or representations, except those in any supplement to this Offering Circular;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this Offering Circular;

(f) agree that none of the REIT Manager, the Trustee, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their or the REIT Manager's respective directors, officers, employees, agents or representatives and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this Offering Circular (and any supplement to this Offering Circular);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offering Units nor participated in the International Offering;

(h) agree to disclose to the REIT Manager, the Trustee, the Hong Kong Unit Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the REIT Manager, the Trustee nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this Offering Circular and in the **IPO App** or on the designated website under the **HK eIPO White Form** service;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offering Units have not been and will not be registered under the US Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offering Units are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Public Offering Units applied for or any lesser number allocated to you under the application;

(o) authorise (i) the REIT Manager and the Trustee to place your name(s) or the name of HKSCC Nominees on the register of Unitholders of SF REIT as the holder(s) of any Hong Kong Public Offering Units allocated to you and such other registers as required under the Trust Deed and (ii) the REIT Manager and the Trustee and/or their agents to send any Unit certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Unit certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Joint Global Coordinators may reallocate Offer Units from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering and in accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Units that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 104,000,000 Offer Units). Further details of the reallocation are stated in the paragraph headed "Structure of the Global Offering" in this Offering Circular;

(r) understand that the REIT Manger, the Trustee, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offering Units to you and that you may be prosecuted for making a false declaration;

(s) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **HK eIPO White Form** service or by any one as your agent or by any other person; and

(t) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

4. Minimum Application Amount and Permitted Numbers

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 1,000 Hong Kong Public Offering Units and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Public Offering Units applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offering Units applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offering Units applied for	Amount payable on application *HK$*
1,000	5,212.00	60,000	312,719.84	2,000,000	10,423,994.64
2,000	10,424.00	70,000	364,839.81	3,000,000	15,635,991.96
3,000	15,635.99	80,000	416,959.79	4,000,000	20,847,989.28
4,000	20,847.99	90,000	469,079.76	5,000,000	26,059,986.60
5,000	26,059.99	100,000	521,199.73	6,000,000	31,271,983.92
6,000	31,271.99	200,000	1,042,399.46	7,000,000	36,483,981.24
7,000	36,483.99	300,000	1,563,599.20	8,000,000	41,695,978.56
8,000	41,695.97	400,000	2,084,798.93	9,000,000	46,907,975.88
9,000	46,907.97	500,000	2,605,998.66	10,000,000	52,119,973.20
10,000	52,119.97	600,000	3,127,198.39	15,000,000	78,179,959.80
20,000	104,239.95	700,000	3,648,398.12	20,000,000	104,239,946.40
30,000	156,359.92	800,000	4,169,597.86	25,000,000	130,299,933.00
40,000	208,479.89	900,000	4,690,797.59	26,000,000*	135,511,930.32
50,000	260,599.87	1,000,000	5,211,997.32		

* Maximum number of Hong Kong Public Offering Units you may apply for.

No application for any other number of the Hong Kong Public Offering Units will be considered and any such application is liable to be rejected.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in "– A. Applications for Hong Kong Public Offering Units – 2. Who Can Apply" above may apply through the **HK eIPO White Form** service for the Offer Units to be allocated and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the REIT Manager. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Offering Circular, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

If you have any questions on how to apply through the **HK eIPO White Form** service for the Hong Kong Public Offering Units, please contact the telephone enquiry line of the Hong Kong Unit Registrar, Tricor Investor Services Limited at +852 3907 7333 which is available on the following dates:

Wednesday, 5 May 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Thursday, 6 May 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Friday, 7 May 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Saturday, 8 May 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Sunday, 9 May 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Monday, 10 May 2021	**–**	**9:00 a.m. to 12:00 noon**

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Wednesday, 5 May 2021 until 11:30 a.m. on Monday, 10 May 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 10 May 2021, the last day for applications, or such later time as described in the sub-section headed "C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offering Units, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

6. Applying Through the CCASS EIPO Service

General

You may instruct your broker or custodian who is a CCASS Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants though HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the REIT Manager, the Joint Global Coordinators and the Hong Kong Unit Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this Offering Circular; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offering Units to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offering Units applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offering Units nor participated in the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;

- confirm that you understand that the REIT Manager, the Trustee, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offering Units to you and that you may be prosecuted for making a false declaration;

- authorise the REIT Manager and the Trustee to place HKSCC Nominees' name on the register of Unitholders as the holder of the Hong Kong Public Offering Units allocated to you and such other registers as required under the Trust Deed, and despatch Unit certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the REIT Manager, the Trustee and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Offering Circular and agree to be bound by them;

- confirm that you have received and read a copy of this Offering Circular and have relied only on the information and representations in this Offering Circular in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this Offering Circular;

- agree that none of the REIT Manager, the Trustee nor the Relevant Persons is or will be liable for any information and representations not in this Offering Circular (and any supplement to this Offering Circular);

- agree to disclose to the REIT Manager, the Trustee, the Hong Kong Unit Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the REIT Manager and the Trustee, and to become binding when you give the instructions and such collateral contract to be in consideration of the REIT Manager and the Trustee agreeing that they will not offer any Hong Kong Public Offering Units to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Offering Circular. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Offering Circular gives a public notice which excludes or limits that person's responsibility for this Offering Circular;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Public Offering Units;

- agree with the REIT Manager and the Trustee and for the benefit of each Unitholder (and so that the REIT Manager and the Trustee will be deemed by their acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the REIT Manager and the Trustee and on behalf of each Unitholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Trust Deed; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the REIT Manager, the Trustee or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offering Units on your behalf;
- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this Offering Circular.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 5 May 2021	–	**9:00 a.m. to 8:30 p.m.**
Thursday, 6 May 2021	–	**8:00 a.m. to 8:30 p.m.**
Friday, 7 May 2021	–	**8:00 a.m. to 8:30 p.m.**
Monday, 10 May 2021	–	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 5 May 2021 until 12:00 noon on Monday, 10 May 2021 (24 hours daily, except on Monday, 10 May 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 10 May 2021, the last day for applications, or such later time as described in the sub-section headed "C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offering Units applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offering Units for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offering Units given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the REIT Manager, the Trustee, the Hong Kong Unit Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Public Offering Units, of the policies and practices of the REIT Manager, the Trustee and the Hong Kong Unit Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Ordinance").

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of Units to supply correct personal data to the REIT Manager, the Trustee or their agents and the Hong Kong Unit Registrar when applying for Units or transferring Units into or out of their names or in procuring the services of the Hong Kong Unit Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Public Offering Units being rejected, or in delay or the inability of the REIT Manager, the Trustee or the Hong Kong Unit Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Public Offering Units which you have successfully applied for and/or the despatch of Unit certificate(s) and/or refund cheque(s) and/or e-Auto Refund payment instructions to which you are entitled.

It is important that Unitholders inform the REIT Manager, the Trustee and the Hong Kong Unit Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque or e-Auto Refund payment instruction, where applicable, verification of compliance with the terms and application procedures set out in this Offering Circular and announcing results of allocation of the Hong Kong Public Offering Units;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the Unitholders including, where applicable, HKSCC Nominees;

- maintaining or updating the register of Unitholders of SF REIT;

- verifying identities of the Unitholders;

- establishing benefit entitlements of Unitholders of SF REIT, such as dividends, rights issues and bonus issues;

- distributing communications from the REIT Manager;

- compiling statistical information and Unitholder profiles;

- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable the REIT Manager, the Trustee and the Hong Kong Unit Registrar to discharge their obligations to Unitholders and/or regulators and/or any other purposes to which the Unitholders may from time to time agree.

Transfer of Personal Data

Personal data held by the REIT Manager, the Trustee and the Hong Kong Unit Registrar relating to the Unitholders will be kept confidential but the REIT Manager, the Trustee and the Hong Kong Unit Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the REIT Manager's appointed agents such as financial advisers, receiving bankers and overseas principal Unit registrar;
- where applicants for the Hong Kong Public Offering Units request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the REIT Manager, the Trustee or the Hong Kong Unit Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the Unitholders have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc..

Retention of Personal Data

The REIT Manager and the Hong Kong Unit Registrar will keep the personal data of the applicants and Unitholders for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and Correction of Personal Data

Unitholders have the right to ascertain whether the REIT Manager, the Trustee or the Hong Kong Unit Registrar holds their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The REIT Manager, the Trustee and the Hong Kong Unit Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the REIT Manager, at the REIT Manager's registered address disclosed in the section headed "Corporate Information" in this Offering Circular or as notified from time to time, for the attention of the compliance officer of the REIT Manager, the compliance officer of the Trustee or the privacy compliance officer of the Hong Kong Unit Registrar.

7. Warning for Electronic Applications

The application for Hong Kong Public Offering Units by **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offering Units through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The REIT Manager, the Trustee, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Public Offering Units.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 10 May 2021, the last day for applications, or such later time as described in the sub-section headed "C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Public Offering Units are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Public Offering Units applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offering Units for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Public Offering Units given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG PUBLIC OFFERING UNITS

The Maximum Offer Price is HK$5.16 per Offer Unit. You must also pay brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Hong Kong Public Offering Units, you will pay HK$5,212.00.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for Hong Kong Public Offering Units.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 1,000 Hong Kong Public Offering Units. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offering Units must be in one of the numbers set out in the table in "4. Minimum Application Amount and Permitted Numbers" in this section, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**. No application for any other number of Hong Kong Public Offering Units will be considered and any such application is liable to be rejected.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure of the Global Offering – Pricing and Allocation" in this Offering Circular.

C. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- an announcement of "extreme conditions" by the Hong Kong Government in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 10 May 2021. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 10 May 2021 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or extreme conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this Offering Circular, an announcement will be made.

D. PUBLICATION OF RESULTS

The REIT Manager expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Public Offering Units on Friday, 14 May 2021 on the websites of SF REIT at **www.SF-REIT.com** and the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of SF REIT and the Hong Kong Stock Exchange at **www.SF-REIT.com** and **www.hkexnews.hk**, respectively, by no later than Friday, 14 May 2021;
- from the "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult** with a "search by ID/business registration number" function on a 24 hour basis from 8:00 a.m. on Friday, 14 May 2021 to 12:00 midnight on Thursday, 20 May 2021; and

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 14 May 2021 to Thursday, 20 May 2021 (excluding Saturday, Sunday and public holiday in Hong Kong).

If the REIT Manager accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offering Units if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in section headed "Structure of the Global Offering" in this Offering Circular.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG PUBLIC OFFERING UNITS

You should note the following situations in which the Hong Kong Public Offering Units will not be allocated to you:

(a) If your application is revoked:

By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the REIT Manager and the Trustee.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Offering Circular gives a public notice which excludes or limits that person's responsibility for this Offering Circular.

If any supplement to this Offering Circular is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the REIT Manager, the Trustee, the Joint Global Coordinators, the HK eIPO White Form Service Provider or their agents exercise their discretion to reject your application:

The REIT Manager, the Trustee, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offering Units and International Offering Units;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- you apply for more than 26,000,000 Hong Kong Public Offering Units, being 50% of the 52,000,000 Hong Kong Public Offering Units initially available under the Hong Kong Public Offering;
- the REIT Manager, the Trustee or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Unit (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in section headed "Structure of the Global Offering – Conditions of the Global Offering" in this Offering Circular are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, 14 May 2021.

G. DESPATCH/COLLECTION OF UNIT CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Unit certificate for all Hong Kong Public Offering Units allocated to you under the Hong Kong Public Offering (except by **electronic application instructions** to HKSCC via CCASS where the Unit certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Units. No receipt will be issued for sums paid on application.

Subject to arrangement on despatch/collection of Unit certificates and refund cheques as mentioned below, any refund cheques and Unit certificate(s) are expected to be posted on or before Friday, 14 May 2021. The right is reserved to retain any Unit certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Unit certificates will only become valid at 8:00 a.m. on Monday, 17 May 2021, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Units on the basis of publicly available allocation details or prior to the receipt of the Unit certificates or prior to the Unit certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) ***If you apply through HK eIPO White Form service:***

- If you apply for 1,000,000 Hong Kong Public Offering Units or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Unit certificate(s) (where applicable) in person from the Hong Kong Unit Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 14 May 2021, or any other place or date notified by the REIT Manager.

- If you do not personally collect your Unit certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Public Offering Units through the **HK eIPO White Form** service, your Unit certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 14 May 2021 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(b) ***If you apply through the CCASS EIPO service:***

Allocation of Hong Kong Public Offering Units

- For the purposes of allocating Hong Kong Public Offering Units, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Unit Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Unit certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 14 May 2021 or on any other date determined by HKSCC or HKSCC Nominees.

- The REIT Manager expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the REIT Manager will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offering Units in the manner as described in "– *Publication of Results*" above on Friday, 14 May 2021. You should check the announcement published by the REIT Manager and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 14 May 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf, you can also check the number of Hong Kong Public Offering Units allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offering Units allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 14 May 2021. Immediately following the credit of the Hong Kong Public Offering Units to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offering Units credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Unit initially paid on application (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 14 May 2021.

H. ADMISSION OF THE UNITS INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Units and the REIT Manager complies with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Units to be admitted into CCASS.

Various experts have issued reports and/or letters and/or certificates for inclusion in this Offering Circular. The REIT Manager has reviewed the reports, letters and certificates prepared by these experts.

The Independent Property Valuer, PricewaterhouseCoopers, the Building Surveyor, the Market Consultant, the PRC legal advisors and the Sole Listing Agent have each given and have not withdrawn their respective written consents to the issue of this Offering Circular with the inclusion of their reports and/or letters and/or valuation certificates and/or summary thereof (as the case may be) and/or references to their names included herein in the form and context in which they are respectively included.

The Independent Property Valuer was responsible for: (i) conducting a valuation of the Properties and preparing the Independent Property Valuer's Valuation Report; and (ii) reviewing the forecasts of rental income for the Properties and assumptions used by the REIT Manager for the purposes of the profit forecast of SF REIT for the period from the Listing Date to 31 December 2021 as set out in the section headed "Profit Forecast for the Profit Forecast Period" in this Offering Circular.

PricewaterhouseCoopers is a firm of certified public accountants and are the reporting accountants and auditors for the Predecessor Group.

King & Wood Mallesons is a firm of PRC lawyers and is the legal advisor to the REIT Manager as to PRC law.

The Market Consultant was responsible for carrying out a comprehensive study of the logistics property market in the PRC and Hong Kong and preparing the Market Consultant Report.

The Building Surveyor was responsible for carrying out a building condition and property condition survey of the Properties and preparing the Building Survey Report.

The Sole Listing Agent was responsible for considering whether the profit forecast set out in the section headed "Profit Forecast for the Profit Forecast Period" in this Offering Circular was made by the REIT Manager after due and careful enquiry.

The following is the text of a report set out on pages I-1 to I-3, received from Golden Bauhinia's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this offering circular. It is prepared and addressed to the directors of the REIT Manager and to the Sole Listing Agent with reference pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SF REIT ASSET MANAGEMENT LIMITED (AS MANAGER OF SF REAL ESTATE INVESTMENT TRUST) AND DBS ASIA CAPITAL LIMITED

Introduction

We report on the historical financial information of Golden Bauhinia Logistics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which will be acquired by SF Real Estate Investment Trust ("SF REIT") upon completion of the proposed reorganisation as set out in Note 1.2 to the Historical Financial Information (as defined below), set out on pages I-4 to I-59, which comprises the combined balance sheets as at 31 December 2018, 2019 and 2020 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-59 forms an integral part of this report, which has been prepared for inclusion in the offering circular of SF REIT dated 5 May 2021 (the "Offering Circular") in connection with the initial listing of units of SF REIT on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company and the directors of SF REIT Asset Management Limited (as manager of SF REIT) (the "REIT Manager") are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial

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Information, and for such internal control as the directors of the Company and the directors of the REIT Manager determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company and the directors of the REIT Manager, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the combined financial position of the Group as at 31 December 2018, 2019 and 2020 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 21 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
5 May 2021

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The combined balance sheets as at 31 December 2018, 2019 and 2020 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information") set out below form an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand (HKD'000) except when otherwise indicated.

COMBINED INCOME STATEMENTS

		Year ended 31 December		
		2018	**2019**	**2020**
	Note	*HKD'000*	*HKD'000*	*HKD'000*
Revenue	*5*	255,838	269,303	279,000
Property operating expenses	*6*	(61,813)	(61,961)	(62,759)
Net property income		194,025	207,342	216,241
General and administrative expenses	*7*	(3,995)	(3,082)	(3,492)
Fair value changes on investment properties	*13*	227,400	80,770	(53,839)
Net reversal of/(provision for) impairment losses for financial assets		35	(12)	(4)
Other income, net	*9*	5,624	936	1,708
Operating profit		423,089	285,954	160,614
Finance income		589	124	136
Finance costs	*10*	(62,660)	(72,165)	(118,425)
Profit before income tax		361,018	213,913	42,325
Income tax expense	*11*	(63,020)	(39,113)	(15,445)
Profit for the year attributable to owners of the Company		297,998	174,800	26,880

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Profit for the year	297,998	174,800	26,880
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences	(16,380)	(8,378)	30,512
Total comprehensive income for the year attributable to owners of the Company	281,618	166,422	57,392

COMBINED BALANCE SHEETS

		As at 31 December		
		2018	2019	2020
	Note	*HKD'000*	*HKD'000*	*HKD'000*
ASSETS				
Non-current assets				
Investment properties	*13*	5,849,500	6,033,600	6,093,600
Property and equipment	*14*	12,333	11,355	14,722
Land use rights		669	641	668
Intangible assets		22	14	406
Prepayments for construction		1,491	–	–
		5,864,015	6,045,610	6,109,396
Current assets				
Trade receivables	*16*	955	1,183	1,693
Prepayments and other receivables	*17*	22,130	21,191	22,300
Amounts due from related parties	*28*	89	310	4,674
Cash and cash equivalents	*18*	23,963	5,732	24,747
		47,137	28,416	53,414
Total assets		5,911,152	6,074,026	6,162,810
EQUITY				
Equity attributable to owners of the Company				
Combined capital	*19*	215,381	250,568	–
Other reserves	*20*	1,621,329	1,612,844	1,527,668
Retained earnings		484,242	659,042	685,442
Total equity		2,320,952	2,522,454	2,213,110

		As at 31 December		
		2018	2019	2020
	Note	*HKD'000*	*HKD'000*	*HKD'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*22*	–	74,789	–
Amounts due to related parties	*28*	–	3,936	2,681,153
Deferred tax liabilities	*23*	393,016	431,903	447,478
Deferred government grants	*24*	30,089	28,834	30,077
		423,105	539,462	3,158,708
Current liabilities				
Borrowings	*22*	–	3,971	–
Trade and other payables	*25*	124,553	141,809	102,650
Amounts due to related parties	*28*	3,042,542	2,866,330	686,393
Current tax liabilities		–	–	1,949
		3,167,095	3,012,110	790,992
Total liabilities		3,590,200	3,551,572	3,949,700
Total equity and liabilities		5,911,152	6,074,026	6,162,810
Net current liabilities		(3,119,958)	(2,983,694)	(737,578)
Total assets less current liabilities		2,744,057	3,061,916	5,371,818

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Combined capital *HKD'000* *(Note 19)*	Other reserves *HKD'000* *(Note 20)*	Retained earnings *HKD'000*	Total equity *HKD'000*
Balance at 1 January 2018	151,353	1,637,593	186,244	1,975,190
Comprehensive income				
Profit for the year	–	–	297,998	297,998
Other comprehensive income				
Currency translation differences	–	(16,380)	–	(16,380)
Total comprehensive income	–	(16,380)	297,998	281,618
Transactions with owners				
Share-based payments	–	116	–	116
Capital injection to subsidiaries by the then direct shareholder	64,028	–	–	64,028
Transactions with owners	64,028	116	–	64,144
Balance at 31 December 2018	215,381	1,621,329	484,242	2,320,952
Balance at 1 January 2019	215,381	1,621,329	484,242	2,320,952
Comprehensive income				
Profit for the year	–	–	174,800	174,800
Other comprehensive income				
Currency translation differences	–	(8,378)	–	(8,378)
Total comprehensive income	–	(8,378)	174,800	166,422
Transactions with owners				
Share-based payments	–	(107)	–	(107)
Capital injection to subsidiaries by the then direct shareholder	35,187	–	–	35,187
Transactions with owners	35,187	(107)	–	35,080
Balance at 31 December 2019	250,568	1,612,844	659,042	2,522,454

	Combined capital *HKD'000* *(Note 19)*	Other reserves *HKD'000* *(Note 20)*	Retained earnings *HKD'000*	Total equity *HKD'000*
Balance at 1 January 2020	250,568	1,612,844	659,042	2,522,454
Comprehensive income				
Profit for the year	–	–	26,880	26,880
Appropriation to statutory reserve	–	480	(480)	–
Other comprehensive income				
Currency translation differences	–	30,512	–	30,512
Total comprehensive income	–	30,992	26,400	57,392
Transactions with owners				
Capital injection to subsidiaries by the then shareholder	2,504	1,068	–	3,572
Acquisition of the PRC Property Companies during the Reorganisation	(253,072)	(117,236)	–	(370,308)
Transactions with owners	(250,568)	(116,168)	–	(366,736)
Balance at 31 December 2020	–	1,527,668	685,442	2,213,110

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2018	2019	2020
	Note	*HKD'000*	*HKD'000*	*HKD'000*
Cash flows from operating activities				
Cash generated from operations	*26(a)*	210,901	221,798	213,712
Interest received		583	125	128
Income tax (paid)/refunded		(545)	116	–
Net cash generated from operating activities		210,939	222,039	213,840
Cash flows from investing activities				
Additions of investment properties		(201,181)	(95,062)	(112,944)
Additions of property and equipment		(10,611)	(1,183)	(3,970)
Proceeds from disposal of property and equipment		12	121	–
Purchase of intangible assets		(12)	–	(450)
Net cash used in investing activities		(211,792)	(96,124)	(117,364)
Cash flows from financing activities				
Proceeds from borrowings		–	80,210	–
Repayments of borrowings		(1,683,038)	–	(79,423)
Capital injection by the then direct shareholder		58,109	35,187	3,572
Proceeds from loans from related parties		1,874,857	273,862	451,376
Repayment of loans from related parties		(251,961)	(488,812)	(334,853)
Interest paid		(66,146)	(44,421)	(119,458)
Net cash used in financing activities		(68,179)	(143,974)	(78,786)
Net (decrease)/increase in cash and cash equivalents		(69,032)	(18,059)	17,690
Cash and cash equivalents at beginning of the year		93,943	23,963	5,732
Currency translation differences		(948)	(172)	1,325
Cash and cash equivalents at end of the year	*18*	23,963	5,732	24,747

II NOTES TO THE COMBINED FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Golden Bauhinia Logistics Holdings Limited (the "Company") was incorporated in the British Virgin Islands (the "BVI") on 23 September 2020 as a limited liability company under the Company Law of the British Virgin Islands. The address of the Company's registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The subsidiaries of the Company are principally engaged in property investments in Hong Kong and in Foshan and Wuhu of the People's Republic of China (the "PRC") (the "Listing Business"). SF Real Estate Investment Trust ("SF REIT") will acquire the ownership of the properties through the acquisition of the entire issued shares of the Company upon the completion of the initial listing of units of SF REIT (the "Proposed Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission (the "SFC").

The Company's immediate holding company is SF Fengtai Industrial Park Holdings Limited ("SF Fengtai"), a limited liability company incorporated in the BVI. One of the intermediate holding company is S.F. Holding Co., Ltd. ("SFH") which is a joint stock company established in the PRC and its shares are listed on the Shenzhen Stock Exchange. The ultimate holding company of the Company is Shenzhen Mingde Holding Development Co., Ltd. ("Mingde Holding"), and the ultimate controlling person is Mr WANG Wei.

1.2 Reorganisation

Immediately prior to the reorganisation (the "Reorganisation") as described below and during the Track Record Period, the Listing Business was carried out 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, the "Wuhu Company (PRC)"), Foshan Runzhong Industrial Investment Co., Ltd. (佛山市潤眾工業投資有限公司, the "Foshan Company (PRC)") (together, the "PRC Property Companies") and Chui Yuk Holdings Limited (翠玉控股有限公司) and its wholly-owned subsidiary Goodear Development Limited (固特發展有限公司) (together, the "Hong Kong Property Companies") (together, the Property Companies), which were collectively controlled by SFH.

In preparation for the Proposed Listing, the Group underwent the Reorganisation which principally involved the following steps:

(a) On 23 September 2020, the Company was incorporated in the BVI as a limited liability company and one share was allotted and issued to SF Fengtai, which is wholly-owned by SFH.

(b) Pursuant to the group reorganisation, the subsidiaries of the Group (as disclosed in Note 1.2 in the table below), except for the PRC Property Companies and Hong Kong Property Companies, were incorporated by the Company or the various immediate holding companies wholly-owned by the Company.

(c) On 22 and 23 October 2020, pursuant to the capital increase agreements entered into among Full Will Corporation Limited ("Full Will"), a third party unrelated to SFH and the Group, and Shenzhen Fengtai E-Commerce Industrial Park Asset Management. Co., Ltd. (深圳市豐泰電商產業園資產管理有限公司, "Shenzhen Fengtai"), a wholly-owned subsidiary of SFH and the holding company of the PRC Property Companies, and each of the PRC Property Companies, Full Will agreed to make a capital contribution of RMB2.2 million and RMB0.9 million to the Foshan Company (PRC) and Wuhu Company (PRC) respectively (approximately RMB1.3 million and RMB0.9 million were contributed to the paid-in capital with the rest accounted as other reserve of Foshan Company (PRC) and Wuhu Company (PRC), respectively). Upon completion of the capital increase, each of the PRC Property Companies was converted from a limited liability company into a Sino-foreign equity joint venture company and became owned as to 99% by Shenzhen Fengtai and 1% by Full Will.

(d) On 20 and 23 November 2020, pursuant to the equity transfer agreements entered into between Shenzhen Fengtai and the various intermediate holding companies wholly-owned by the Company, these various intermediate holding companies of the Company agreed to purchase 99% of the equity interests in the Foshan Company (PRC) and the Wuhu Company (PRC) from Shenzhen Fengtai at the cash consideration of RMB219.2 million and RMB91.8 million respectively.

(e) On 20 and 23 November 2020, pursuant to the equity transfer agreements entered into between Full Will and the various intermediate holding companies wholly-owned by the Company, these various intermediate holding companies of the Company agreed to purchase 1% of the equity interests in the Foshan Company (PRC) and the Wuhu Company (PRC) from Full Will at the cash consideration of RMB2.2 million and RMB0.9 million respectively. The consideration for such transfers was fully settled by SF Holding Limited, a wholly-owned subsidiary of SFH on 2 December 2020. Upon completion of the equity transfers, Foshan Company (PRC) and Wuhu Company (PRC) became wholly-owned by the Company.

(f) On 29 April 2021, pursuant to a share purchase agreement entered into between Sunny Sail Holding Limited (陽帆控股有限公司), a wholly-owned subsidiary of SFH, and the Company, the Company agreed to purchase 100% of the equity interests in Chui Yuk Holdings Limited at the cash consideration of HKD2,171.0 million. Upon completion of the equity transfer, the Hong Kong Property Companies became wholly-owned by the Company.

Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

The Company will be injected into SF REIT, which is a collective investment scheme constituted as a unit trust and is authorised under section 104 of the Securities and Futures Ordinance, upon the listing of the units of SF REIT on the Main Board of the Stock Exchange. SF REIT was established under a trust deed dated 29 April 2021 made between the REIT Manager and DB Trustee (Hong Kong) Limited (in its capacity as the trustee of SF REIT).

As at the date of this report, the Company held equity interests in the following subsidiaries:

Name of subsidiaries	**Place and date of incorporation and type of legal entity**	**Principal activities and place of operation**	**Issued and fully paid share capital/paid-in capital**	**Effective interest held by the Group**				*Note*
					31 December		**As at date of this report**	
				2018	**2019**	**2020**		
Directly held by the Company:								
Foshan Industrial Park Limited	BVI, 23 September 2020, limited liability company	Investment holding in BVI	HKD1	N/A	N/A	100%	100%	*(b)*
Wuhu Industrial Park Limited	BVI, 23 September 2020, limited liability company	Investment holding in BVI	HKD1	N/A	N/A	100%	100%	*(b)*
Indirectly held by the Company:								
Wuhu Company (PRC)	The PRC, 6 November 2014, limited liability company	Property investments in the PRC	RMB90,000,000 as at 31 December 2018 and 2019; RMB90,909,100 as at 31 December 2020	100%	100%	100%	100%	*(a) and (c)*

Name of subsidiaries	Place and date of incorporation and type of legal entity	Principal activities and place of operation	Issued and fully paid share capital/paid-in capital	Effective interest held by the Group				Note
				31 December			As at date of this report	
				2018	2019	2020		
Foshan Company (PRC)	The PRC, 9 December 2015, limited liability company	Property investments in the PRC	RMB97,002,000 as at 31 December 2018; RMB 128,000,000 as at 31 December 2019; RMB 129,292,900 as at 31 December 2020	100%	100%	100%	100%	*(a) and (c)*
Chui Yuk Holdings Limited	BVI, 9 February 2010, limited liability company	Investment holding in Hong Kong	USD1	100%	100%	100%	100%	*(a)*
Goodear Development Limited	BVI, 9 February 2010, limited liability company	Property investments in Hong Kong	USD1	100%	100%	100%	100%	*(a)*
Foshan Fengtai (Hong Kong) Limited ("Foshan Company (HK)")	Hong Kong, 22 October 2020, limited liability company	Investment holding in Hong Kong	HKD1	N/A	N/A	100%	100%	*(b)*
Wuhu Fengtai (Hong Kong) Limited ("Wuhu Company (HK)")	Hong Kong, 22 October 2020, limited liability company	Investment holding in Hong Kong	HKD1	N/A	N/A	100%	100%	*(b)*

(a) The statutory auditor for the years ended 31 December 2018, 2019 and 2020 of the PRC Property Companies was PricewaterhouseCoopers Zhong Tian LLP Shenzhen Branch. The statutory auditor for the years ended 31 December 2018, 2019 and 2020 of the Hong Kong Property Companies was PricewaterhouseCoopers, Hong Kong. No audited financial statements for the year ended 31 December 2020 for the PRC Property Companies or the Hong Kong Property Companies have been issued.

(b) No audited financial statements have been issued for these companies.

(c) Both companies are registered as wholly foreign owned enterprises under the PRC law.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The English translation of the PRC Property Companies is for identification purpose only. These companies do not have official English names.

1.3 Basis of presentation

The Property Companies engaging in the Listing Business were under the common control of SFH, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as business combinations under common control, and for the purpose of this report, the Historical Financial Information has been prepared on a combined basis.

The Historical Financial Information has been prepared by including the historical financial information of the Property Companies engaging in the Listing Business as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the common control of SFH, whichever is the shorter period.

The net assets of the combining companies were combined using the existing book values from SFH's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combinations under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the combined financial information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Historical Financial Information has been prepared under the historical cost convention, except for investment properties, which are carried at fair value.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2020 including IFRS 9 "Financial Instruments" ("IFRS 9"), IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") and IFRS 16 "Leases" ("IFRS 16"), have been consistently applied to the Group for the Track Record Period.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise 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 historical financial information, are disclosed in Note 4.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately HKD737,578,000, including amounts due to related parties of approximately HKD686,393,000. The directors of the Company have given due and careful consideration to the liquidity of the Group. In the opinion of the directors of the Company, the Group has a number of sources of financing available to finance its operations and to meet its financial obligations, including (i) internally generated operational cash inflow, (ii) available unutilised financing facilities with S.F. Holding Group Finance Co., Ltd and SF Holding Limited, wholly-own subsidiaries of SFH, of approximately HKD615,954,000 as at 31 December 2020 which are available for further drawdowns until the date of Proposed Listing, and (iii) additional financing from financial institutions by taking into account the current value of the Group's assets which have not been pledged. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

New standards and amendments to existing standards not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective for the Track Record Period and have not been early adopted by the Group for the Track Record Period are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 1	*Classification of liabilities as current or non-current*	1 January 2022
Amendments to IFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16	*Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37	*Cost of Fulfilling a Contract*	1 January 2022
Annual improvements 2018-2020 cycle	*IFRS 1, IFRS 9, IFRS 16 and IAS 41*	1 January 2022
IFRS 17	*Insurance Contracts*	1 January 2023
IFRS 10 and IAS 28 (Amendments)	*Sale or contribution of assets between an investor and its associate or Joint Venture*	To be determined

The Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. The directors have performed preliminary assessment and do not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments and interpretations to existing IFRS.

2.2 Subsidiaries

2.2.1 Combination

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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 profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(b) Business combination under common control

As mentioned in Note 1.3, the Property Companies engaging in the Listing Business were under the common control of SFH, immediately before and after the Reorganisation.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of an acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined income statements include the results of each of the combining entities from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amounts recognised in profit or loss. The fair value is the initial carrying amounts for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial information

Investments in subsidiaries are accounted for by the Company at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial information exceeds the carrying amount in the historical financial information of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Hong Kong Property Companies and the PRC Property Companies are HKD and RMB respectively. The historical financial statements are presented in HKD, which is the Company's functional currency and the Group's presentation currency.

2.4.2 Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined income statements, within "interest income" or "finance costs". All other foreign exchange gains and losses are presented in the combined income statements on a net basis within "other income, 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.

2.4.3 Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all currency translation differences are recognised in other comprehensive income.

On combination, 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.

2.5 PROPERTY AND EQUIPMENT

Property 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 profit or loss during the reporting period in which they are incurred.

Depreciation of property 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:

Office equipment, electronic equipment and others	3 to 5 years
Buildings	47 years

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

Construction in progress represents buildings under construction, which is stated at actual construction cost less any impairment loss. Construction in progress is transferred to property and equipment when completed and ready for use and depreciated in accordance with the policy as stated above.

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 are determined by comparing proceeds with carrying amounts and are recognised in profit or loss.

2.6 Investment properties

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

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 profit or loss in the period in which the property is derecognised.

2.7 Land use rights

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

2.8 Intangible assets

System software

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

2.9 Impairment of non-financial assets

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

2.10 Financial instruments

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

2.10.1 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be 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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) 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.

(iii) 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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The Group classifies all its financial assets under amortised cost.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the combined income statement.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses 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, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 16 for further details.

2.10.2 Financial liabilities

Financial liabilities of the Group are financial liabilities at amortised cost, which mainly comprise trade and other payables, amounts due to related parties 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 profit or loss for the current period.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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.

2.14 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.

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.

2.15 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 profit or loss in the period in which they are incurred.

2.16 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 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.

2.17 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company'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 combined financial information. 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 income tax asset is realised or the deferred income tax liability is settled.

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

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

(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 profit or loss, 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.

2.18 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, defined contribution plans and termination benefits.

(a) Short-term obligations

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Defined contribution plans

In the PRC, the Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis, while in Hong Kong it pays contributions to defined contribution plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.19 Share-based payments

A share-based payment is a transaction in which an enterprise grants equity instruments or assumes liabilities that are determined based on equity instruments, in exchange for services rendered by employees or another party. Equity instruments include the equity instruments that are linked to the enterprise, the parent company of the enterprise or another accounting entity within the same group. Share-based payments comprise equity-settled and cash-settled payments.

For the share-based payments of the Group during the Track Record Period, the equity instruments are linked to SFH and the Group has no responsibilities to make any payments to SFH or other entities for its employees receiving such equity instruments. The share-based payments of the Group are equity-settled payments.

Equity-settled share-based payments

The equity-settled share-based payment where the Group grants shares or other equity instruments as a consideration in return for services, is measured at the fair value of the equity instruments at the grant date. Where the share-based payment is not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in relevant cost or expenses and in capital reserve at the fair value of the equity instruments at the grant date based on the best estimates of the quantity of exercisable equity instruments made by the Group, in accordance with latest changes in the number of exercisable employees and subsequent information.

2.20 Revenue recognition and rental income

(a) Revenue recognition

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.

Control is transferred over time and revenue is recognised over time by reference to the process towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

(b) Management service income

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) 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.

Variable lease income of the Group, which represents rental income depending on tenants' turnover pursuant to the terms and conditions as set out in the respective rental agreements, is recognised as income in the accounting period on a receipt basis. No variable lease payments are recognised if there are uncertainties due to the possible return of amounts received.

(d) Other income

Other income primarily comprises government grants and compensation income from early lease termination and others. The accounting policy of government grants is disclosure in Note 2.21. Compensation income from early lease termination and others represents the compensation received from the tenants for the early termination of the tenancies, default of the tenants or others. Compensation income is recognised at fair value when the Company has the right to collect the relevant compensation.

2.21 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 will comply with all attached conditions.

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

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Note 24 provides further information on how the Group accounts for the government grants.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value 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.

3.1 Market risk

3.1.1 Foreign exchange risk

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

The Group operates in China and Hong Kong with most of the transactions denominated in RMB and HKD. The Group's exposure to foreign exchange risk mainly relates to its RMB denominated amounts due to related parties, recorded by Foshan Company (HK) and Wuhu Company (HK), the functional currency of which is HKD. The Group has not specifically hedged this exposure considering it will be settled in the near future.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in HKD, was as follows:

	As at 31 December			
	2018	2019	2020	
	RMB	*RMB*	*RMB*	*USD*
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Amounts due to related parties	–	131	370,043	–
Amounts due from related parties	–	–	891	3,209

If HKD had weakened/strengthened by 1% against RMB with all other variables held constant, post-tax losses/gains for the year ended 31 December 2020 would have been approximately HKD3,107,000 higher/lower respectively, mainly as a result of foreign exchange losses/gains on translation of RMB denominated amounts due to related parties.

3.1.2 Fair value interest rate risk

The Group's interest rate risk is mainly attributable to its borrowings and amounts due to related parties. The Group's borrowings and amounts due to related parties are obtained at fixed rates and expose the Group to fair value interest rate risk. Details of the Group's borrowings and amounts due to related parties have been disclosed in Notes 22 and 28 to the combined financial statements respectively. The Group currently has not entered into any interest rate swap contract and will only consider hedging if there is significant interest rate risk.

Other than amounts due to related parties and borrowings, the Group does not have significant interest-bearing assets or liabilities.

3.1.3 Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables from third parties and related parties. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the combined balance sheet. The Group has no significant concentration of credit risk arising from third parties, with exposure spread over certain counterparties and customers.

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables, and
- Other financial assets carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was minimal, as the cash and cash equivalents were deposited at reputable financial institutions with no historical credit losses experienced.

Trade receivables from third parties

In order to minimise the credit risk of trade receivables, the management of the Group established policies in place to ensure that the leases and sales of services are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. The compliance of credit limits by the customers is regularly monitored by the management of the Group. There has not been any historical loss during the Track Record Period. The Group also has policies in place to ensure that rental security deposits are required prior to commencement of leases. In this regard, the management of the Group considers that the Group's credit risk of trade receivables is significantly reduced.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis.

The expected loss rates are based on the Group's past loss experiences, existing market conditions as well as forward looking information at the end of each reporting periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables. The Group has identified the Gross Domestic Product of the region in which it operates the properties to be the most relevant macroeconomic factor. The Group had no historical credit loss experiences related to trade receivables during the Track Record Period, and thus the expected loss rates on trade receivables of the Group during the Track Record Period are minimal.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and the ageing of the trade receivables is greater than one year. All the trade receivables have been settled within one year during the Track Record Period.

The impairment loss allowances for trade receivables as at each period end date reconcile to the opening loss allowances as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Opening loss allowance	22	1	4
Increase in impairment loss allowance recognised in profit or loss during the year	–	3	4
Unused amount reversed	(21)	–	–
Closing loss allowance	1	4	8

Trade receivables from related parties

In respect of amounts due from related parties with gross carrying value of approximately HKD15,000, HKD226,000 and HKD36,000 respectively as at 31 December 2018, 2019 and 2020, given the strong financial capability of SFH and its subsidiaries, 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 parties, and accordingly, no impairment was recognised in respect of the amounts due from related parties.

Other financial assets carried at amortised cost

The Group's other financial assets carried at amortised cost include other receivables from third parties and other receivables from related parties. The impairment loss of other financial assets carried at amortised cost is measured based on the twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2018, 2019 and 2020, management considered the credit risk of other receivables from third parties and other receivables from related parties to be low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these other receivables from third parties and other receivables from related parties were minimal under 12 months expected losses method. Therefore, the impairment loss allowance required for these balances was minimal.

The impairment loss allowances for other financial assets carried at amortised cost as at each period end date reconcile to the opening loss allowances as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Opening loss allowance	20	6	6
Increase in impairment loss allowance recognised in profit or loss during the year	–	9	–
Receivables written off during the year as uncollectible	–	(9)	(1)
Unused amount reversed	(14)	–	–
Closing loss allowance	6	6	5

3.1.4 Liquidity risk

The management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations. As at 31 December 2020, the Group had net current liabilities of HKD737,578,000. Taking into account of the available resources as set out in Note 2.1, the Group will be able to meet its financial obligation when they fall due.

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.

	Less than 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
As at 31 December 2018				
Trade and other payables	119,771	–	–	119,771
Amounts due to related parties	3,045,058	–	–	3,045,058
	3,164,829	–	–	3,164,829
As at 31 December 2019				
Borrowings	8,065	38,877	39,577	86,519
Trade and other payables	137,816	–	–	137,816
Amounts due to related parties	2,981,226	2,046	2,083	2,985,355
	3,127,107	40,923	41,660	3,209,690
At 31 December 2020				
Trade and other payables	98,434	–	–	98,434
Amounts due to related parties	784,910	2,681,153	–	3,466,063
	883,344	2,681,153	–	3,564,497

3.2 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 shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged throughout the Track Record Period.

In order to maintain or adjust the capital structure, the Group may adjust the tenure of debt to accomplish adequate liquidity position as well as adjust the amount of debt over capital structure.

Consistent with others in the industry, the Group monitors capital on basis of the net debt to total equity. The ratio is calculated as net debt divided by total equity as shown in the balance sheet. The management of the Group will balance its overall capital structure through the payment of dividends or issuance of new shares as well as the issuance of new debts or the redemption of existing debts.

The net debt to total equity as at 31 December 2018, 2019 and 2020 were as follows:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Net debt *(Note 26(c))*	2,969,328	2,878,085	2,908,917
Total equity	2,320,952	2,522,454	2,213,110
Net debt to total equity	128%	114%	131%

The decrease in the net debt to total equity from 128% as at 31 December 2018 to 114% as at 31 December 2019 was mainly due to the increase in total equity as a result of capital injection to the subsidiaries by the then direct shareholder and profit for the year ended 31 December 2019. The increase in the net debt to total equity from 114% as at 31 December 2019 to 131% as at 31 December 2020 was mainly due to acquisition of the PRC Property Companies during the Reorganisation.

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 December 2018, 2019 and 2020 were categorised into three levels by level of inputs adopted in the valuation techniques used for measuring fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2018, 2019 and 2020, the Group did not have any financial assets or financial liabilities in the combined balance sheet which were measured at fair value.

The carrying amounts of the Group's financial assets and financial liabilities approximated their fair values due to their short maturities, or that fluctuations of interest rates during the Track Record Period had no material impact on the fair value measurement of borrowings and long term amounts due to related parties.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 Group 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.

4.1 Critical accounting estimates

(a) Estimates of fair value of investment properties

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. If the information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using other methods such as income capitalisation approach or discounted cash flow method. The directors of the Company work closely with the independent valuer to establish the appropriate valuation techniques and inputs to the model.

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer used a method of valuation which involves certain estimates as described in Note 13.

(b) Taxation

The Group is subject to various taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for taxation including deferred taxation. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxation and deferred tax provisions in the period in which such determinations are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimates are changed.

4.2 Critical accounting judgement

(a) Deferred taxation on investment properties of the Hong Kong Property Companies

For the purposes of measuring deferred taxation arising from investment properties of the Hong Kong Property Companies that are measured using fair value model, the directors of the Company has reviewed the Group's Hong Kong investment property portfolios and concluded that the Group's Hong Kong investment properties are held under a business model whose objective is 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 of Hong Kong Property Companies, the directors of the Company have 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 base and the fair value of the investment properties and the tax rates expected to apply.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Rental income *(i)*	208,371	218,618	223,339
Management service income *(ii)*	47,467	50,672	55,640
Others *(iii)*	–	13	21
	255,838	269,303	279,000

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group:

	Year ended 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Subsidiaries of SFH	159,574	194,101	218,550
Third Party Customer A	29,168	N/A	N/A

(i) The Group's investment properties are leased to tenants under operating lease with rental payable monthly/quarterly/semi-annually. The gross rental income includes variable lease payments based on tenants' turnover pursuant to the terms and conditions as set out in the respective rental agreements. The variable lease payments amounted to HKD402,000, HKD517,000 and HKD193,000 respectively for the years ended 31 December 2018, 2019 and 2020.

As at 31 December 2018, 2019 and 2020, the Group had minimum lease payment receivables on lease of investment properties including warehouse, distribution centre, office buildings and car parking spaces are as follows:

	As at 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Within 1 year	177,527	199,381	231,386
1-2 year	161,851	175,198	215,217
2-3 year	140,852	156,634	184,030
3-4 year	127,256	144,497	170,999
4-5 year	120,117	142,713	104,732
More than 5 year	254,336	146,220	45,245
	981,939	964,643	951,609

(ii) Revenue from providing management services to customers is recognised over time during the Track Record Period when the services are rendered by the Group.

(iii) Others represent revenue from laundry income and other miscellaneous income.

(b) Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the CODM, which has been identified as the directors of the Company, in order to allocate resources to segments and to assess their performance.

The Group holds 2 property companies in the PRC and 1 property company in Hong Kong, which are principally engaged in property investment. Revenue recognised during the year is mainly from rental income from tenants and related management service income. The directors of the Company evaluate the Group's performance from a geographic perspective and have identified two reportable segments of its business, Hong Kong and the PRC. The directors of the Company primarily use a measure of segment revenue and net profit to assess the performance of the operating segments.

The segment revenue, net profit and other profit and loss disclosures during the years ended 31 December 2018, 2019 and 2020 are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Segment revenue			
Hong Kong	254,417	257,470	246,294
The PRC	1,421	11,833	32,706
	255,838	269,303	279,000
Net profit			
Hong Kong	270,185	141,635	(38,851)
The PRC	27,813	33,165	65,731
	297,998	174,800	26,880
Finance costs			
Hong Kong	61,912	67,723	113,799
The PRC	748	4,442	4,626
	62,660	72,165	118,425
Depreciation and amortisation			
Hong Kong	1,398	1,315	877
The PRC	93	545	568
	1,491	1,860	1,445
Net (reversal of)/provision for impairment losses for financial assets			
Hong Kong	(24)	3	4
PRC	(11)	9	–
	(35)	12	4
Income tax expense			
Hong Kong	53,411	28,016	(7,032)
The PRC	9,609	11,097	22,477
	63,020	39,113	15,445

Segment assets and segment liabilities are measured in the same way as in the financial statements. Total segment assets and total segment liabilities are allocated based on the physical location of the assets and liabilities:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Total segment assets			
Hong Kong	5,366,987	5,403,543	5,289,809
PRC	544,165	670,483	873,001
	5,911,152	6,074,026	6,162,810
Total segment liabilities			
Hong Kong	3,387,514	3,282,464	3,577,888
PRC	202,686	269,108	371,812
	3,590,200	3,551,572	3,949,700

6 PROPERTY OPERATING EXPENSES

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Property management fee	35,861	38,015	38,867
Rates and government rent	8,913	8,316	9,160
Repairs and maintenance	9,087	6,574	3,773
Other taxes	1,291	3,756	5,685
Employee benefit expense *(Note 8)*	1,933	2,145	2,282
Depreciation and amortisation	1,392	1,310	876
Leasing commission fee *(i)*	1,470	–	356
Others	1,866	1,845	1,760
	61,813	61,961	62,759

(i) Leasing commission fee relates to commission paid to real estate agents for one-off services provided for the leasing of certain units in the Group's investment property in Hong Kong during the year ended 31 December 2018 and 2020. The leasing commission fee recognised represents the whole fee payable in relation to the services provided by the real estate agents.

7 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Employee benefit expense *(Note 8)*	2,217	1,247	1,949
Depreciation and amortisation	99	550	569
Auditors' remuneration (audit services)	157	216	210
Legal and consultancy fee	870	440	404
Others *(i)*	652	629	360
	3,995	3,082	3,492

(i) The amounts included bank charges of HKD5,000, HKD6,000 and HKD7,000 for the years ended 31 December 2018, 2019 and 2020 respectively.

8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Wages, salaries and bonuses	3,648	3,248	4,082
Welfare, medical and other expenses	276	145	52
Pension costs – defined contribution schemes	110	106	97
Share-based payments	116	(107)	–
	4,150	3,392	4,231

(a) Five highest paid individuals

During the Track Record Period, the directors received nil remuneration from the Group. The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2018, 2019 and 2020 are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Wages, salaries and bonuses	3,133	2,866	3,728
Pension costs – defined contribution plans	85	88	81
	3,218	2,954	3,809

The emoluments fell within the following bands:

Number of individuals

	Year ended 31 December		
	2018	**2019**	**2020**
HKD1 to HKD1,000,000	5	5	5

9 OTHER INCOME, NET

	Year ended 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Government grants and subsidies *(i)*	2,438	–	280
Amortisation of deferred government grants *(Note 24)*	664	638	631
Losses on disposals of property and equipment *(ii)*	–	(13)	–
Compensation income from early lease termination and others *(iii)*	2,521	264	3,888
Foreign exchange loss	–	(1)	(3,095)
Others	1	48	4
	5,624	936	1,708

(i) For the year ended 31 December 2018, the amounts represented the refund of urban land use tax paid by Wuhu Government. For the year ended 31 December 2020, the amounts represented wage subsidies granted by the Hong Kong SAR government to Goodear Development Limited to retain employees.

(ii) There were no sales of investment properties of the Group during the Track Record Period.

(iii) It represents the compensation received from the tenants for the early termination of the tenancies, default of the tenants or others.

10 FINANCE COSTS

	Year ended 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Interest expenses on borrowings	61,913	3,245	3,182
Interest expenses on amounts due to related parties	2,623	68,962	115,874
	64,536	72,207	119,056
Amount capitalised	(1,876)	(42)	(631)
	62,660	72,165	118,425

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the years, which were 4.37%, 1.55% and 1.50% for the years ended 31 December 2018, 2019 and 2020 respectively.

11 INCOME TAX EXPENSE

During the years ended 31 December 2018, 2019 and 2020, Hong Kong profits tax was subject to the rate of 16.5% on the estimated assessable profit.

During the years ended 31 December 2018, 2019 and 2020, the Group's subsidiaries in the PRC were subject to corporate income tax ("CIT") at a standard rate of 25%.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to an overseas investor with respect to profits derived after 1 January 2008 are generally subject to withholding tax at a rate of 10%. If an investor incorporated in Hong Kong SAR meets the conditions and requirements under the double taxation treaty arrangement for Hong Kong SAR and the criteria of beneficial owner, the relevant withholding tax rate will be reduced from 10% to 5%.

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Current income tax			
– PRC CIT	(6)	2	1,844
– Hong Kong profits tax *(i)*	–	–	–
Deferred income tax *(Note 23)*	63,026	39,111	13,601
Income tax expense	63,020	39,113	15,445

(i) The amounts of Hong Kong profits tax are nil due to the tax loss position of the Hong Kong Property Companies, which was offset by the profits obtained from the Hong Kong Property Companies during the Track Record Period. As at 31 December 2020, the Hong Kong Property Companies was still in tax loss position.

The income tax expense for the years ended 31 December 2018, 2019 and 2020 is reconciled to the profit before tax per the combined income statements as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Profit before income tax:	361,018	213,913	42,325
Tax calculated at tax rate applicable	62,749	39,057	14,483
Tax effects of:			
Income not subject to tax	(1)	–	–
Expenses not deductible for tax purposes	56	55	538
Under/(over) provision in prior years	216	1	(9)
Deferred tax on earnings of the Group's PRC subsidiaries	–	–	433
Income tax expense	63,020	39,113	15,445

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this accountant's report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in Notes 1.2 and 1.3.

13 INVESTMENT PROPERTIES

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
At the beginning of the year	5,516,400	5,849,500	6,033,600
Additions	137,053	116,427	65,410
Transferred to property and equipment *(Note 14)*	(8,540)	–	–
Fair value changes	227,400	80,770	(53,839)
Currency translation differences	(22,813)	(13,097)	48,429
At the end of the year	5,849,500	6,033,600	6,093,600

As at 31 December 2018 and 2020, no investment properties were pledged as collateral.

As at 31 December 2019, investment properties with carrying amount of HKD240,700,000 were pledged as collateral for borrowings (Note 22(a)).

The Group's investment properties are located in Hong Kong, Foshan and Wuhu, and are measured using the fair value model.

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

Investment properties were revalued as at 31 December 2018, 2019 and 2020 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations.

The address of Jones Lang LaSalle Corporate Appraisal and Advisory Limited is 7/F, One Taikoo Place, 979 King's Road, Hong Kong.

Fair value of completed investment properties was generally derived using the income capitalisation method, taking into account 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.

Fair value of the investment properties under development is generally derived using the residual method and/or the direct comparison method (taking into consideration of construction costs incurred). Residual method involves the assessment of the estimated capital value of the proposed development assuming completed as at valuation date, with allowances for the outstanding development costs together with developer's profit and risk. The direct comparison method involves the assessment of the value of the underlying land based on its existing use, plus the construction costs incurred as of the valuation date.

The following table gives the information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

There were no transfers into or out of Level 3 during the Track Record Period.

Investment properties held by the Group in the balance sheet	Fair value hierarchy	Valuation *(HKD'000)*	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asia Logistics Hub – SF Centre No. 36 Tsing Yi Hong Wan Road (Tsing Yi Town Lot No. 180) Tsing Yi New Territories Hong Kong (亞洲物流中心-順豐大廈)	Level 3	*31 Dec 2018: 5,361,000* *31 Dec 2019: 5,399,000* *31 Dec 2020: 5,280,000*	Income capitalisation method		
			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 3.90%, 3.90% and 3.90% respectively as at 31 December 2018, 2019 and 2020.	The higher the term yield, the lower the fair value.
			(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, was 4.40%, 4.40% and 4.40% respectively as at 31 December 2018, 2019 and 2020.	The higher the reversionary yield, the lower the fair value.

Investment properties held by the Group in the balance sheet	Fair value hierarchy	Valuation *(HKD'000)*	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
			(3) Monthly market rent	Market rent was determined by the estimated amount for which all 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 amounts of which were HKD12.99/sq.ft./month, HKD13.08/sq.ft./month and HKD12.73/sq.ft./month respectively as at 31 December 2018, 2019 and 2020.	The higher the monthly market rent, the higher the fair value.
Foshan Guicheng Fengtai Industrial Park located at the northern side of Guanli Road Nanhai District Foshan City Guangdong Province The PRC (佛山桂城豐泰產業園)	Level 3	31 Dec 2018: 249,400 31 Dec 2019: 393,900	Residual		
			The key inputs are		
			(1) Monthly market rent	Market rent was determined by the estimated amount for which all 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 amounts of which were RMB36.56 sq.m./month, and RMB37.66 sq.m./month respectively as at 31 December 2018 and 2019.	The higher the monthly market rent, the higher the fair value.

Investment properties held by the Group in the balance sheet	Fair value hierarchy	Valuation *(HKD'000)*	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
			(2) Estimated developer's profit	Estimated developer's profit, taking into account of the estimated capital value of the proposed development assuming completed as at the date of valuation, was 8.00% and 8.00% respectively as at 31 December 2018 and 2019.	The higher the estimated developer's profit, the lower the fair value.
Foshan Guicheng Fengtai Industrial Park located at the northern side of Guanli Road Nanhai District Foshan City Guangdong Province The PRC (佛山桂城豐泰產業園)	Level 3	31 Dec 2020: 552,000	Income capitalisation method		
			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% as at 31 December 2020.	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 5.5% as at 31 December 2020.	The higher the reversionary yield, the lower the fair value.

Investment properties held by the Group in the balance sheet	Fair value hierarchy	Valuation *(HKD'000)*	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
			(3) Monthly market rent	Market rent was determined by the estimated amount for which all 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 amounts of which was RMB38.79 sq.m./month as at 31 December 2020.	The higher the monthly market rent, the higher the fair value.
Wuhu Fengtai Industrial Park No. 61 Longteng Road Jiujiang District Wuhu City Anhui Province The PRC (蕪湖豐泰產業園)	Level 3	31 Dec 2018: 239,100 31 Dec 2019: 240,700 31 Dec 2020: 261,600	Income capitalisation method 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%, 5.00% and 5.00% respectively as at 31 December 2018, 2019 and 2020.	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%, 5.50% and 5.50% respectively as at 31 December 2018, 2019 and 2020.	The higher the reversionary yield, the lower the fair value.

Investment properties held by the Group in the balance sheet	Fair value hierarchy	Valuation *(HKD'000)*	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
			(3) Monthly market rent	Market rent was determined by the estimated amount for which all 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 amounts of which were RMB21.37/sq.m./month, RMB22.01/sq.m./month and RMB22.73/sq.m./ month respectively as at 31 December 2018, 2019 and 2020.	The higher the monthly market rent, the higher the fair value.

14 PROPERTY AND EQUIPMENT

	Construction in progress *HKD'000*	Buildings *HKD'000*	Office equipment, electronic equipment and others *HKD'000*	Total *HKD'000*
As at 1 January 2018				
Cost	–	–	7,286	7,286
Accumulated depreciation	–	–	(3,672)	(3,672)
Net book amount	–	–	3,614	3,614
Year ended 31 December 2018				
Opening net book amount	–	–	3,614	3,614
Transfer from investment properties *(Note 13)*	8,540	–	2,071	10,611
Transfer	(8,540)	8,540	–	–
Depreciation	–	(29)	(1,447)	(1,476)
Disposals	–	–	(15)	(15)
Currency translation differences	–	(325)	(76)	(401)
Closing net book amount	–	8,186	4,147	12,333

	Construction in progress *HKD'000*	Buildings *HKD'000*	Office equipment, electronic equipment and others *HKD'000*	Total *HKD'000*
As at 31 December 2018				
Cost	–	8,215	9,257	17,472
Accumulated depreciation	–	(29)	(5,110)	(5,139)
Net book amount	–	8,186	4,147	12,333
Year ended 31 December 2019				
Opening net book amount	–	8,186	4,147	12,333
Additions	–	–	1,183	1,183
Depreciation	–	(166)	(1,672)	(1,838)
Disposals	–	–	(116)	(116)
Currency translation differences	–	(168)	(39)	(207)
Closing net book amount	–	7,852	3,503	11,355
As at 31 December 2019				
Cost	–	8,041	10,249	18,290
Accumulated depreciation	–	(189)	(6,746)	(6,935)
Net book amount	–	7,852	3,503	11,355
Year ended 31 December 2020				
Opening net book amount	–	7,852	3,503	11,355
Additions	–	–	3,970	3,970
Depreciation	–	(163)	(1,210)	(1,373)
Currency translation differences	–	511	259	770
Closing net book amount	–	8,200	6,522	14,722
As at 31 December 2020				
Cost	–	8,574	14,525	23,099
Accumulated depreciation	–	(374)	(8,003)	(8,377)
Net book amount	–	8,200	6,522	14,722

15 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Financial assets at amortised cost			
Trade receivables *(Note 16)*	955	1,183	1,693
Deposits and other receivables *(Note 17)*	3,367	1,068	1,051
Amounts due from related parties *(Note 28)*	89	310	4,674
Cash and cash equivalents *(Note 18)*	23,963	5,732	24,747
	28,374	8,293	32,165

	As at 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Financial liabilities carried at amortised cost			
Borrowings *(Note 22)*	–	78,760	–
Trade and other payables *(Note 25)*	119,771	137,816	98,434
Amounts due to related parties *(Note 28)*	3,042,542	2,870,266	3,367,546
	3,162,313	3,086,842	3,465,980

16 TRADE RECEIVABLES

	As at 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Trade receivables	956	1,187	1,701
Less: provision for impairment losses of trade receivables	(1)	(4)	(8)
	955	1,183	1,693

As at 31 December 2018, 2019 and 2020, the carrying amounts of trade receivables from third parties approximated to their fair values due to the short-term nature.

Trade receivables mainly represent lease receivables from third party lessees. Rental income from rental of investment properties including warehouse, distribution centre, office buildings and car parking spaces are generally required to be settled by tenants within 15-30 days upon issuance of invoice.

As at 31 December 2018, 2019 and 2020, the ageing analysis of trade receivables, net of impairment, based on invoice date, were as follows:

	As at 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
0-30 days	955	1,183	1,693

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
HKD	931	1,133	1,661
RMB	25	54	40
	956	1,187	1,701

The maximum exposure to credit risk as at 31 December 2018, 2019 and 2020 was the carrying value of the trade receivables mentioned above. The Group required rental security deposits prior to commencement of leases.

The Group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1.3 provides details about the calculation of the allowance.

17 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Value added tax ("VAT") recoverable and other tax receivables *(i)*	18,213	19,514	20,633
Prepayments for property insurance	550	609	616
Deposits and other receivables *(ii)*	3,373	1,074	1,056
	22,136	21,197	23,305
Less: provision for impairment of other receivables	(6)	(6)	(5)
	22,130	21,191	22,300

(i) It mainly came from the VAT input tax from the PRC property Companies, which could be used for deduction of VAT output tax.

(ii) As at 31 December 2018, 2019 and 2020, the deposits were mainly paid for the constructions and suppliers of water and electricity, and the carrying amounts of deposits and other receivables approximated to their fair values due to the short-term nature, which were unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's deposits and other receivables were denominated in the following currencies:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
HKD	1,105	1,074	1,056
RMB	2,268	–	–
	3,373	1,074	1,056

Note 3.1.3 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the combined statements of cash flows:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Deposits placed at S.F. Holding Group Finance Co., Ltd. *(i)*	22,506	3,014	20,742
Deposits placed at banks	1,457	2,718	4,005
	23,963	5,732	24,747

(i) S.F. Holding Group Finance Co., Ltd is wholly-owned subsidiary of SFH and incorporated upon approval from China Banking and Insurance Regulatory Commission ("CBIRC") (Shen Yin Jian Fu [2016] No. 193) in 2016.

The carrying amounts of the Group's cash and cash equivalents were denominated in the following currencies:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
RMB	22,797	5,732	24,747
HKD	1,166	–	–
	23,963	5,732	24,747

19 COMBINED CAPITAL

	HKD'000
As at 1 January 2018	151,353
Capital injection to subsidiaries by the then direct shareholder	64,028
As at 31 December 2018	215,381
Capital injection to subsidiaries by the then direct shareholder	35,187
As at 31 December 2019	250,568
Capital injection to subsidiaries by the then direct shareholder *(Note b)*	2,504
Acquisition of the PRC Property Companies during the Reorganisation *(Note c)*	(253,072)
As at 31 December 2020	–

(a) Combined capital represents the combined fully paid share capital/paid-in capital of companies now comprising the Group:

	Issued share capital/ paid-in capital	**As at 31 December** **2018**	**2019**	**2020**
		HKD'000	*HKD'000*	*HKD'000*
Wuhu Company (PRC)	Paid-in capital	101,873	101,873	–
Foshan Company (PRC)	Paid-in capital	113,508	148,695	–
Chui Yuk Holdings Limited*	Issued share capital	–	–	–
Golden Bauhinia Logistics Holdings Limited*(i)	Issued share capital	N/A	N/A	–
		215,381	250,568	–

* The balances were rounded to the nearest thousand. Please refer to Note 1.2 for the details.

(i) The Company was authorized to issue a maximum of 50,000 shares of a single class with no par value. Upon incorporation, one share amounting to HKD1 was allotted and issued to SF Fengtai, which is the immediate holding company of the Company and was fully paid up.

(ii) During the Track Record Period, or since the date of corporation, the paid-in capital/issued share capital of the companies comprising the Group was fully paid up.

(b) As mentioned in Note 1.2(c), pursuant to (i) the capital increase agreement entered into among Full Will, Shenzhen Fengtai and Foshan Company (PRC) dated 22 October 2020; and (ii) the capital increase agreement entered into among Full Will, Shenzhen Fengtai and Wuhu Company (PRC) dated 23 October 2020, Full Will agreed to make a capital contribution of RMB2.2 million and RMB0.9 million (which is equivalent to approximately HKD2.5 million and HKD1.1 million) to Foshan Company (PRC) and Wuhu Company (PRC) respectively, of which approximately RMB1.3 million and RMB0.9 million (which is equivalent to approximately HKD1.5 million and HKD1.0 million) were contributed to the paid-in capital with the rest amounting to approximately HKD1.0 million and HKD0.1 million accounted for as other reserves.

(c) Combined capital of the PRC Property Companies was eliminated against the payment of acquisition consideration (Note 20(e)) on consolidation upon the completion of the acquisition of Wuhu Company (PRC) and Foshan Company (PRC) by Foshan Company (HK) and Wuhu Company (HK) in November 2020 during the Reorganisation (Note 1.2(d)).

20 OTHER RESERVES

	As at 31 December **2018**	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Foreign currency translation differences *(Note (a))*	(4,873)	(13,251)	17,261
Share-based payments *(Note (b))*	117	10	10
Statutory reserve *(Note (c))*	1	1	481
Reserve arising from acquisition of group companies by SFH *(Note (d))*	1,626,084	1,626,084	1,522,108
Deemed distribution arising from the Reorganisation *(Note (e))*	–	–	(12,192)
	1,621,329	1,612,844	1,527,668

(a) Foreign currency translation differences

It represents currency translation differences as the items included in the financial statements of the PRC Property Companies are measured using their functional currency RMB, while the Historical Financial Information of the Group are presented in HKD.

(b) Share-based payments

Share-based payments of the Group during the Track Record Period were equity settled and derived from two share-based payment arrangements of SFH which were established in 2017 and 2018. Two employees of the Group were awarded share instruments of SFH under each of these share-based payment arrangements of SFH, respectively. All these share-based payment arrangements had been expired and accounted for by the Group during the Track Record Period. As the number and fair value of share instruments awarded to employees of the Group were immaterial, such share-based payment arrangements had no material impact to the Historical Financial Information.

As of 31 December 2020, there were no share-based payment arrangements to which employees of the Group were entitled to.

(c) Statutory Reserve

The statutory reserve represents the amount transferred from net profit for the year of the PRC Properties Companies in accordance with the relevant PRC laws until the statutory reserve reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except for setting off the accumulated losses or increasing capital.

(d) Reserve arising from previous acquisition of group companies by SFH

Net assets of the Hong Kong Property Companies and Foshan Company (PRC) are combined into the Historical Financial Information starting from July 2016 and April 2017 when Hong Kong Property Companies and Foshan Company (PRC) were acquired and came under the control of SFH, respectively. The then net assets of the Hong Kong Property Companies and Foshan Company (PRC) at their respective acquisition dates, excluding their issued share capital or paid-in capital, are recorded as "reserve arising from acquisition of group companies by SFH" under other reserves.

The reserve arising from the acquisition of Foshan Company (PRC) in 2017 amounting to HKD103.9 million was eliminated against the payment of acquisition consideration (Note 20(e)) upon the completion of the acquisition of Foshan Company (PRC) by Foshan Company (HK) in November 2020 during the Reorganisation (Note 1.2(d)).

(e) Deemed distribution arising from the Reorganisation

As mentioned in Note 1.2(d), pursuant to (i) the equity transfer agreement entered into between Shenzhen Fengtai and Foshan Company (HK) dated 20 November 2020; and (ii) the equity transfer agreement entered into between Shenzhen Fengtai and Wuhu Company (HK) dated 23 November 2020, Shenzhen Fengtai agreed to transfer to Foshan Company (HK) and Wuhu Company (HK) 99% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC) at the consideration of approximately RMB219.2 million and RMB91.8 million (which is equivalent to approximately HKD258.4 million and HKD108.3 million), respectively. The unsettled consideration of approximately HKD366.7 million (Note 28(b)(v)) in aggregate is recorded within amounts due to related parties. Shenzhen Fengtai, Foshan Company (HK) and Wuhu Company (HK) were under the common control of SFH, immediately before and after the equity transfer transaction. Accordingly, this equity transfer is regarded as a business combination under common control. Upon consolidation, the excess of the consideration of HKD366.7 million over the net assets of the 99% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC), which is represented by the aggregate of the related "combined capital" of approximately HKD250.6 million (Note 19(c)) and the related "reserve arising from previous acquisition of group companies by SFH" of approximately HKD103.9 million (Note 20(d)), of approximately HKD12.2 million has been accounted for as "deemed distribution arising from the Reorganisation" as this is a transaction entered into with the shareholder of the Company.

As mentioned in Note 1.2(e), pursuant to (i) the equity transfer agreement entered into between Full Will and Foshan Company (HK) dated 20 November 2020; and (ii) the equity transfer agreement entered into between Full Will and Wuhu Company (HK) dated 23 November 2020, Full Will agreed to transfer to Foshan Company (HK) and Wuhu Company (HK) 1% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC) at the consideration of approximately RMB2.2 million and RMB0.9 million (which is equivalent to HKD2.5 million and HKD1.1 million), respectively. The consideration for such transfers was fully settled by SF Holding Limited on behalf of the Group. The payable to SF Holding Limited amounting to approximately HKD3.6 million in aggregate is recorded within amounts due to related parties. Shenzhen Fengtai, Foshan Company (HK) and Wuhu Company (HK) were under the common control of SFH, immediately before and after the equity transfer transaction. Accordingly, this equity transfer is regarded as a business combination under common control. Upon consolidation, as there is no excess of the consideration of HKD3.6 million over the net assets of the 1% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC), which is represented by the aggregate of the related "combined capital" of approximately HKD2.5 million (Note 19(b)) and the related "other reserves" of approximately HKD1.1 million (Note 19(b)), both of which were paid by Full Will as capital injection in October 2020, no "deemed distribution arising from the Reorganisation" is recorded.

The impact from fluctuation in exchange rate from the respective transaction dates to 31 December 2020 are recorded as "Other income, net" in the combined income statements.

21 DIVIDENDS

No dividends have been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2018, 2019 and 2020.

22 BORROWINGS

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000* *(Note (a))*	*HKD'000*
Non-current:			
Bank borrowings, secured	–	74,789	–
Current:			
Bank borrowings, secured	–	3,971	–
	–	78,760	–

As at 31 December 2019, the weighted average effective interest rate on bank borrowings was 4.86% per annum.

As at 31 December 2019, bank borrowings of the Group were denominated in RMB.

(a) The bank borrowing was secured by the property held by Wuhu Company (PRC) and guaranteed by Shenzhen S.F. Taisen Holdings (Group) Co., Ltd, a wholly-owned subsidiary of SFH with the term of 15 years. The interest is paid quarterly at an interest rate of 4.90% per annum. The principal was to be repaid during the period from 20 April 2020 to 20 April 2033 by instalments. The bank borrowing was repaid and fully settled in advance by October 2020.

23 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities are as follows:

(a) Deferred income tax assets

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Government grants	7,522	7,209	7,519
Unused tax losses	102,216	94,100	92,449
Others	19	1	–
	109,757	101,310	99,968
Set-off against deferred tax liabilities pursuant to set-off provisions	(109,757)	(101,310)	(99,968)
Net deferred tax assets	–	–	–

The movement on the deferred tax assets for the years are as follows:

	Government grants	**Tax losses**	**Others**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
As at 1 January 2018	8,072	112,808	11	120,891
(Charged)/credited to the combined income statements	(166)	(10,547)	9	(10,704)
Currency translation differences	(384)	(45)	(1)	(430)
As at 31 December 2018	7,522	102,216	19	109,757
(Charged)/credited to the combined income statements	(159)	(8,080)	(18)	(8,257)
Currency translation differences	(154)	(36)	–	(190)
As at 31 December 2019	7,209	94,100	1	101,310
(Charged)/credited to the combined income statements	(158)	(1,669)	(1)	(1,828)
Currency translation differences	468	18	–	486
As at 31 December 2020	7,519	92,449	–	99,968

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at 31 December 2018, 2019 and 2020, no tax losses had not been recognised as deferred income tax assets.

(b) Deferred income tax liabilities

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Change in fair value of investment properties	502,773	533,213	546,988
Withholding tax on retained earnings of PRC subsidiaries	–	–	458
	502,773	533,213	547,446
Set-off against deferred tax assets pursuant to set-off provisions	(109,757)	(101,310)	(99,968)
Net deferred tax liabilities	393,016	431,903	447,478

The movement on the deferred tax liabilities for the years as follows:

	HKD'000
As at 1 January 2018	450,833
Change in fair value of investment properties	52,322
Currency translation differences	(382)
As at 31 December 2018	502,773
Change in fair value of investment properties	30,854
Currency translation differences	(414)
As at 31 December 2019	533,213
Change in fair value of investment properties	11,340
Withholding tax on retained earnings of PRC subsidiaries	433
Currency translation differences	2,460
As at 31 December 2020	547,446

24 DEFERRED GOVERNMENT GRANTS

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
At the beginning of the year	32,290	30,089	28,834
Released to the combined income statement	(664)	(638)	(631)
Currency translation differences	(1,537)	(617)	1,874
At the end of the year	30,089	28,834	30,077

The amount of deferred government grants was a one-time taxable subsidy from Wuhu government for building infrastructure on the acquired land. A total amount of HKD30,733,000 was received in 2016 and credited to profit or loss on a straight-line basis over the expected lives of the related assets.

25 TRADE AND OTHER PAYABLES

	As at 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Payables for construction	80,314	104,547	68,659
Deposits received from tenants	28,729	22,788	18,532
Trade payables	8,105	7,987	8,791
Rental collected in advance	3,883	2,998	2,542
Employee benefit payables	562	606	1,372
Tax payables	337	287	301
Interest payables	–	102	–
Other payables	2,623	2,494	2,453
	124,553	141,809	102,650

(i) As at 31 December 2018, 2019 and 2020, the ageing analysis of trade payables, based on invoice date, were as follows:

	As at 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
0-30 days	8,105	7,987	8,791

(ii) Rental collected in advance will be recognised revenue within 6 months.

26 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax for the Track Record Period to cash generated from operations

	Year ended 31 December		
	2018	2019	2020
	HKD'000	*HKD'000*	*HKD'000*
Profit before income tax	361,018	213,913	42,325
Adjustments for:			
Finance income	(589)	(124)	(136)
Finance costs	62,660	72,165	118,425
Depreciation and amortisation	1,491	1,860	1,445
Share-based payments	116	(107)	–
Net (reversal of)/provision for impairment losses for receivables	(35)	12	4
Losses on disposal of property and equipment	–	13	–
Foreign exchange losses	–	1	3,095
Change in fair value of investment properties	(227,400)	(80,770)	53,839
Government grants	(664)	(638)	(631)
	196,597	206,325	218,366
Changes in working capital:			
– Trade and other receivables	616	5,100	6,065
– Net payables to related parties	528	15,659	(9,166)
– Trade and other payables	13,160	(5,286)	(1,553)
Net cash generated from operations	210,901	221,798	213,712

(b) Non-cash financing activities

During the year ended 31 December 2018, the then direct owner of the Foshan Company (PRC) paid up the registered share capital of the Foshan Company (PRC) amounting to approximately HKD 5,919,000 by exemption from the amounts due to the then direct owner of the Foshan Company (PRC).

(c) Net debt reconciliation

Net debt

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Amounts due to related parties	2,993,291	2,804,955	2,933,664
Borrowings	–	78,760	–
Other payables – interests payables	–	102	–
Liabilities arising from financing activities	2,993,291	2,883,817	2,933,664
Cash and cash equivalents	(23,963)	(5,732)	(24,747)
Net debt	2,969,328	2,878,085	2,908,917
Cash and cash equivalents	(23,963)	(5,732)	(24,747)
Gross debt-fixed interest rates	2,993,291	2,883,817	2,933,664
Net debt	2,969,328	2,878,085	2,908,917

(c) The reconciliations of liabilities arising from financing activities are as follows:

	Bank borrowings	**Other Payables-interests payables**	**Amounts due to related parties**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
As at 1 January 2018	1,683,038	2,540	1,372,970	3,058,548
– Cash flows	(1,683,038)	–	1,622,896	(60,142)
– Interests paid	–	(64,453)	(1,693)	(66,146)
– Interest accrued	–	61,913	2,623	64,536
– Exchange difference	–	–	(3,505)	(3,505)
As at 31 December 2018 and 1 January 2019	–	–	2,993,291	2,993,291
– Cash flows	80,210	–	(214,950)	(134,740)
– Interests paid	–	(3,141)	(41,280)	(44,421)
– Interest accrued	–	3,245	68,962	72,207
– Exchange difference	(1,450)	(2)	(1,068)	(2,520)
As at 31 December 2019 and 1 January 2020	78,760	102	2,804,955	2,883,817
– Cash flows	(79,423)	–	116,523	37,100
– Interests paid	–	(3,285)	(116,173)	(119,458)
– Interest accrued	–	3,182	115,874	119,056
– Exchange difference	663	1	12,485	13,149
As at 31 December 2020	–	–	2,933,664	2,933,664

27 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the year but not yet incurred was as follows:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Contracted but not provided for	216,745	161,714	–

28 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amounts of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

For details of the then shareholders of the companies now comprising the Group, please refer to Note 1.1.

Major related parties that had transactions with the Group during the Track Record Period were as follows:

Related parties	**Relationship with the Group as at 1 January 2018, 31 December 2018, 2019 and 2020**
SFH	Intermediate holding company
Subsidiaries of SFH *(i)*	Controlled by SFH

(i) Subsidiaries of SFH that had transactions with the Group during the Track Record Period were as follows:

	Chinese name
Anhui S.F. Express Co., Ltd	安徽順豐速運有限公司*
Anhui Shunhe Freight Co., Ltd.	安徽順和快運有限公司*
Beijing Yijie Enterprise Management Co., Ltd.	北京益捷企業管理有限公司*
Crystal Era Limited	紀澈有限公司
Fame Trend International Ltd	達譽國際有限公司
Foshan Fengyutai Enterprise Management Co., Ltd.	佛山市豐預泰產業園運營管理有限公司*
Foshan S.F. Express Co., Ltd	佛山順豐速運有限公司*
FS Electronic Technology Co., Ltd	豐修科技有限公司
Havi Logistics Services (Hong Kong) Ltd.	夏暉物流(香港)有限公司
Hefei Fengtai E-Commerce Industrial Park Asset Management Ltd.	合肥市豐泰電商產業園管理有限公司*
Hefei Jietai Enterprise Management Co., Ltd.	合肥市捷泰企業管理有限公司*
Junhe Information Technology (Shenzhen) Co., Ltd.	君和信息服務科技(深圳)有限公司*
Maanshan Fengruntai E-Commerce Industrial Park Asset Management Ltd.	馬鞍山市豐潤泰電商產業園管理有限公司*
S.F. Data Service (Wuhan) Co., Ltd.	順豐資料服務(武漢)有限公司*
S.F. Express (China) Limited	順豐速運(中國)有限公司
S.F. Express (Hong Kong) Limited	順豐速運(香港)有限公司
S.F. Holding Group Finance Co., Ltd	順豐控股集團財務有限公司
SF Fengtai Industrial Park Holdings Limited	順豐豐泰產業園控股有限公司
SF Holding Limited	順豐控股有限公司
SF REIT Asset Management Limited	順豐房托資產管理有限公司
SF Sharing Precision Information Technology (Shenzhen) Co., Ltd.	順豐共用精密資訊技術(深圳)有限公司*
Shenzhen S.F. Taisen Holdings (Group) Co., Ltd.	深圳順豐泰森控股(集團)有限公司

	Chinese name
Shenzhen Fengtai E-Commerce Industrial Park Asset Management Ltd.	深圳市豐泰電商產業園資產管理有限公司*
Shenzhen Fengtai Project Management Co., Ltd	深圳市豐泰工程項目管理有限公司*
Shenzhen Hongjie Enterprise Management Co., Ltd.	深圳宏捷產業園管理有限公司*
Shenzhen Shunfeng Runtai Management Consulting Co., Ltd.	深圳順豐潤泰管理諮詢有限公司*
Shenzhen Shunkai Technology Co., Ltd	深圳順鎧科技有限公司*
Shenzhen Tuofeng Industrial Park Management Co., Ltd.	深圳拓豐產業園管理有限公司*
Shenzhen Yifeng Technology Co., Ltd.	深圳意豐科技有限公司*
Shenzhen Yirongfeng Technology Co., Ltd.	深圳市意榮豐科技有限公司*
Shenzhen Yirunfeng Technology Co., Ltd.	深圳意潤豐科技有限公司*
Shenzhen Yufeng Industrial Park Management Co., Ltd.	深圳裕豐產業園管理有限公司*
Sunny Sail Holding Limited	陽帆控股有限公司
Zhongshan Runjie Enterprise Management Co., Ltd.	中山市潤捷企業管理有限公司*

* The English translation of these companies for identification purpose only. These companies do not have official English names.

Other than the deposits placed with S.F. Holding Group Finance Co., Ltd (Note 18), balances with related parties are set out below:

(a) Balances with related parties – Amounts due from related parties

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Amounts due from related parties – under current assets			
– *Trade receivables*			
– Subsidiaries of SFH *(i)*	15	226	36
– *Other receivables (Non-trade)*			
– Subsidiaries of SFH *(ii)*	74	84	4,638
	89	310	4,674

(i) As at 31 December 2018, 2019 and 2020, the carrying amounts of trade receivables from related parties approximated to their fair values due to the short-term nature.

Trade receivables mainly represent lease receivables from related party tenants. Rental income from investment properties including warehouse, distribution centre, office buildings and car parking spaces are generally required to be settled by tenants within 15-30 days upon issuance of invoice.

As at 31 December 2018, 2019 and 2020, the ageing analysis of trade receivables due from related parties, net of impairment, based on invoice date, were as follows:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
0-30 days	15	226	36

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
HKD	15	115	36
RMB	–	111	–
	15	226	36

(ii) As at 31 December 2020, non-trade related other receivables from related parties represents (i) professional service fees directly attributable to the Proposed Listing paid by the Group on behalf of SF REIT of HKD4,520,000 and (ii) reimbursement of expenses paid by the Group on behalf of related parties and other receivables of approximately HKD118,000.

(b) Balances with related parties - Amounts due to related parties

	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Amounts due to related parties – under non-current liabilities			
– Loans from related parties			
– Subsidiaries of SFH *(i)*	–	3,936	2,681,153

(i) As at 31 December 2020, the non-current portion of loans from related parties represents the revolving loans from related parties in Hong Kong which were interest free from July 2018 to May 2019, and began to bear interest from June 2019 at a rate of 4.2% per annum, and were repayable on demand. These loans from related parties in Hong Kong are unsecured and unguaranteed. In September 2020, Goodear Development Limited signed a supplementary agreement in relation to the loans from related parties in Hong Kong, in which the counterparty agreed to defer repayment to no earlier than June 2022. As a result, the related balance is classified to non-current liabilities.

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
Amounts due to related parties – under current liabilities			
– Trade payables			
– Subsidiaries of SFH *(ii)*	–	368	812
– Loans from related parties			
– SFH	56	58	–
– Subsidiaries of SFH *(iii)*	2,993,235	2,800,961	252,511
– Other payables			
– Subsidiaries of SFH-trade *(iv)*	49,154	64,718	59,202
– Subsidiaries of SFH-non-trade *(v)*	97	225	373,868
	3,042,542	2,866,330	686,393

(ii) The trade related payables to related parties represents the property management fee payables and certain services fee payables.

	As at 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
0 to 30 days	–	281	501
31 to 90 days	–	45	290
91 to 180 days	–	42	21
	–	368	812

(iii) As at 31 December 2020, the current portion of loans from related parties represents (i) loans from related parties in the PRC of approximately HKD224,252,000 which bore interest from 1.5% to 3% per annum with the term of one year, and (ii) interest payables from the loan from related parties in Hong Kong as set out in note 28(b)(i) above of approximately HKD28,259,000, which is paid quarterly.

(iv) As at 31 December 2020, the trade related other payables represents (i) deposits received from related parties of approximately HKD42,064,000 and (ii) rental collected in advance from related parties of approximately HKD17,138,000.

(v) As at 31 December 2020, the non-trade related other payables to related parties represents (i) the unsettled consideration for the transfer of 99% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC) to the Group of approximately HKD369,697,000, which includes the carrying amount of the unsettled consideration of HKD366,736,000 as of the respective dates of transfer and exchange loss from the respective transaction dates to 31 December 2020 of approximately HKD2,961,000; (ii) the consideration for the transfer of 1% of the equity interests in Foshan Company (PRC) and Wuhu Company (PRC) from Full Will to the Group, which was fully settled by SF Holding Limited on behalf of the Group that led to a liability from the Group to SF Holding Limited of approximately HKD3,676,000, which includes the carrying amount of the liability of HKD3,572,000 as of the respective dates of transfer and exchange loss from the respective transaction dates to 31 December 2020 of approximately HKD104,000 and (iii) reimbursements of expenses paid by related parties on behalf of the Group and other payables of approximately HKD495,000.

(c) Transactions with related parties

Save as disclosed elsewhere in the combined financial information, during the Track Record Period, the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Corporate guarantees provided by subsidiaries of SFH

During the years ended 31 December 2018, 2019 and 2020, certain of the Group's borrowings were secured by corporate guarantees provided by subsidiaries of SFH as set out in Note 22.

(ii) Rental income

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
– Subsidiaries of SFH	123,537	152,196	169,501

(iii) Management service income

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
– Subsidiaries of SFH	36,037	41,905	49,049

(iv) Interest income

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
– Subsidiaries of SFH	578	116	127

(v) Interest expenses

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
– Subsidiaries of SFH	2,623	68,962	115,874

(vi) Property management fee

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
– Subsidiaries of SFH	–	1,298	3,354

(vii) Construction project management expenses

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
– Subsidiaries of SFH	2,951	3,156	2,778

(viii) Proceeds from loans from related parties

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
– SFH	58	3	–
– Subsidiaries of SFH	1,874,799	273,859	451,376
	1,874,857	273,862	451,376

(ix) Repayments of loans from related parties

	Year ended 31 December		
	2018	**2019**	**2020**
	HKD'000	*HKD'000*	*HKD'000*
– SFH	–	–	59
– Subsidiaries of SFH	251,961	488,812	334,794
	251,961	488,812	334,853

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions were conducted in the ordinary course of business of the Group and in accordance with the terms of the underlying agreements.

(d) Key management compensation

The Group's key management personnels are all directors of the Company. No directors' emoluments were paid or are payable by the Group for the years ended 31 December 2018, 2019 and 2020 respectively.

29 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 31 December 2018, 2019 and 2020 respectively.

30 SUBSEQUENT EVENTS

(a) Acquisition of Chui Yuk Holdings Limited by the Group

As set out in Note 1.2(f), on 29 April 2021, pursuant to a share purchase agreement entered into between Sunny Sail Holding Limited and the Company, the Company agreed to purchase 100% of the equity interests in Chui Yuk Holdings Limited at the cash consideration of HKD2,171.0 million. Upon completion of the equity transfer, the Hong Kong Property Companies became wholly-owned by the Company.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following tables set out, for illustrative purposes only, an unaudited pro forma statement of financial position of SF REIT as at 31 December 2020 based on the Maximum Offer Price and an unaudited pro forma statement of financial position of SF REIT as at 31 December 2020 based on the Minimum Offer Price (together, the "**Unaudited Pro Forma Financial Information**").

The Unaudited Pro Forma Financial Information have been prepared based on the audited combined balance sheet of the Predecessor Group as at 31 December 2020 as set out in Appendix I to this Offering Circular, assuming (i) the completion of the Reorganisation, (ii) the completion of Asset Injection, including settlement of the assigned Golden Bauhinia Payables, (iii) the issuance of the Units pursuant to the Global Offering, (iv) the loan draw-down under the Term Loan of approximately HK$1,750,000,000 for the acquisition of Golden Bauhinia, (v) the loan draw-down under the Onshore Loans of approximately HK$224,629,000 for the settlement of non-trade related amounts due from/to related parties, and (vi) the settlement of the Golden Bauhinia Promissory Note, as if they had taken place on 31 December 2020.

The Unaudited Pro Forma Financial Information have been prepared for illustrative purposes only and do not purport to represent what the assets and liabilities of SF REIT will actually be as at the Listing Date or to give a true picture of the financial position of SF REIT as at the Listing Date or any future date.

UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF SF REIT (BASED ON THE MAXIMUM OFFER PRICE OF HK$5.16)

	SF REIT as at 31 December 2020	Audited combined statement of financial position of the Predecessor Group as at 31 December 2020	Pro forma adjustments	Notes	Unaudited pro forma statement of financial position of SF REIT
	HKD'000	*HKD'000*	*HKD'000*		*HKD'000*
	(Note 1)	*(Note 2)*			
ASSETS					
Non-current assets					
Goodwill	–	–	433,812	*7*	433,812
Investment properties	–	6,093,600			6,093,600
Property and equipment	–	14,722			14,722
Land use rights	–	668			668
Intangible assets	–	406			406
	–	6,109,396	433,812		6,543,208
Current assets					
Trade receivables	–	1,693			1,693
Prepayments and other receivables	–	22,300			22,300
Amounts due from related parties	–	4,674	(118)	*4*	36
			(4,520)	*5(c)*	
Cash and cash equivalents	–	24,747	2,683,200	*5(a)*	84,267
			1,750,000	*5(b)*	
			(86,683)	*5(c)*	
			(2,090)	*5(d)*	
			(369,697)	*5(e)*	
			(2,170,967)	*5(e)*	
			(1,744,243)	*5(e)*	
	–	53,414	54,882		108,296
Total assets	**–**	**6,162,810**	**488,694**		**6,651,504**

	SF REIT as at 31 December 2020 HKD'000 (Note 1)	Audited combined statement of financial position of the Predecessor Group as at 31 December 2020 HKD'000 (Note 2)	Pro forma adjustments HKD'000	Notes	Unaudited pro forma statement of financial position of SF REIT HKD'000
LIABILITIES					
Non-current liabilities					
Borrowings	–	–	224,629	4	1,972,539
			1,750,000	5(b)	
			(2,090)	5(d)	
Amounts due to related parties	–	2,681,153	(2,681,153)	5(g)	–
Deferred tax liabilities	–	447,478			447,478
Deferred government grants	–	30,077			30,077
	–	3,158,708	(708,614)		2,450,094
Current liabilities					
Trade and other payables	–	102,650			102,650
Promissory note	–	–	2,170,967	3	–
			(2,170,967)	5(e)	
Amounts due to related parties	–	686,393	(224,747)	4	60,014
			(369,697)	5(e)	
			(31,935)	5(g)	
Current tax liabilities	–	1,949			1,949
	–	790,992	(626,379)		164,613
Total liabilities	**–**	**3,949,700**	**(1,334,993)**		**2,614,707**
Net assets	**–**	**2,213,110**	**1,823,687**		**4,036,797**
Net current liabilities	**–**	**(737,578)**	**681,261**		**(56,317)**

	SF REIT as at 31 December 2020 *HKD'000* *(Note 1)*	Audited combined statement of financial position of the Predecessor Group as at 31 December 2020 *HKD'000* *(Note 2)*	Pro forma adjustments *HKD'000*	*Notes*	Unaudited pro forma statement of financial position of SF REIT *HKD'000*
Represented by:					
Combined capital	–	–			–
Other reserves	–	1,527,668	(2,170,967)	*3*	–
			643,299	*6*	
Retained earnings	–	685,442	(685,442)	*6*	–
Net assets attributable to Unitholders:					
Issued units	–	–	2,683,200	*5(a)*	4,054,805
			(91,203)	*5(c)*	
			18,008	*5(c)*	
			1,444,800	*5(e)*	
Reserves	–	–	(18,008)	*5(c)*	(18,008)
Total	**–**	**2,213,110**	**1,823,687**		**4,036,797**

UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF SF REIT (BASED ON THE MINIMUM OFFER PRICE OF HK$4.68)

	SF REIT as at 31 December 2020	Audited combined statement of financial position of the Predecessor Group as at 31 December 2020	Pro forma adjustments	Notes	Unaudited pro forma statement of financial position of SF REIT
	HKD'000	*HKD'000*	*HKD'000*		*HKD'000*
	(Note 1)	*(Note 2)*			
ASSETS					
Non-current assets					
Goodwill	–	–	54,398	*7*	54,398
Investment properties	–	6,093,600			6,093,600
Property and equipment	–	14,722			14,722
Land use rights	–	668			668
Intangible assets	–	406			406
	–	6,109,396	54,398		6,163,794
Current assets					
Trade receivables	–	1,693			1,693
Prepayments and other receivables	–	22,300			22,300
Amounts due from related parties	–	4,674	(118)	*4*	36
			(4,520)	*5(c)*	
Cash and cash equivalents	–	24,747	2,433,600	*5(a)*	84,267
			1,750,000	*5(b)*	
			(82,097)	*5(c)*	
			(2,090)	*5(d)*	
			(369,697)	*5(e)*	
			(2,170,967)	*5(e)*	
			(1,499,229)	*5(e)*	
	–	53,414	54,882		108,296
Total assets	**–**	**6,162,810**	**109,280**		**6,272,090**

	SF REIT as at 31 December 2020 HKD'000 (Note 1)	Audited combined statement of financial position of the Predecessor Group as at 31 December 2020 HKD'000 (Note 2)	Pro forma adjustments HKD'000	Notes	Unaudited pro forma statement of financial position of SF REIT HKD'000
LIABILITIES					
Non-current liabilities					
Borrowings	–	–	224,629	4	1,972,539
			1,750,000	5(b)	
			(2,090)	5(d)	
Amounts due to related parties	–	2,681,153	(2,681,153)	5(g)	–
Deferred tax liabilities	–	447,478			447,478
Deferred government grants	–	30,077			30,077
	–	3,158,708	(708,614)		2,450,094
Current liabilities					
Trade and other payables	–	102,650			102,650
Promissory note	–	–	2,170,967	3	–
			(2,170,967)	5(e)	
Amounts due to related parties	–	686,393	(224,747)	4	60,014
			(369,697)	5(e)	
			(31,935)	5(g)	
Current tax liabilities	–	1,949			1,949
	–	790,992	(626,379)		164,613
Total liabilities	**–**	**3,949,700**	**(1,334,993)**		**2,614,707**
Net assets	**–**	**2,213,110**	**1,444,273**		**3,657,383**
Net current liabilities	**–**	**(737,578)**	**681,261**		**(56,317)**

	SF REIT as at 31 December 2020 *HKD'000* *(Note 1)*	Audited combined statement of financial position of the Predecessor Group as at 31 December 2020 *HKD'000* *(Note 2)*	Pro forma adjustments *HKD'000*	*Notes*	Unaudited pro forma statement of financial position of SF REIT *HKD'000*
Represented by:					
Combined capital	–	–			–
Other reserves	–	1,527,668	(2,170,967)	*3*	–
			643,299	*6*	
Retained earnings	–	685,442	(685,442)	*6*	–
Net assets attributable to Unitholders:					
Issued units	–	–	2,433,600	*5(a)*	3,675,314
			(86,617)	*5(c)*	
			17,931	*5(c)*	
			1,310,400	*5(e)*	
Reserves	–	–	(17,931)	*5(c)*	(17,931)
Total	**–**	**2,213,110**	**1,444,273**		**3,657,383**

Notes:

(1) SF REIT was established on 29 April 2021. On the Listing Date, the entire issued share of Golden Bauhinia will be acquired by SF REIT. SF REIT has not been involved in any business prior to the Listing Date. The amount is extracted from the management account of SF REIT as at 31 December 2020.

(2) The balances have been extracted from the audited combined balance sheet of the Predecessor Group as at 31 December 2020 as set out in Appendix I to this Offering Circular. The identifiable assets and liabilities of the Predecessor Group, the shares of which will be acquired by SF REIT, will be accounted for in the consolidated financial statements of SF REIT at fair value using acquisition accounting. The REIT Manager considers that the carrying amounts of the identifiable assets and liabilities of the Predecessor Group as at 31 December 2020 approximate their fair values.

(3) As part of the Reorganisation, Golden Bauhinia acquired 100% equity interest in the Hong Kong Property from the SFH Group for a consideration of approximately HK$2,170,967,000 before Listing as set out in the section headed "Reorganisation, Structure and Organisation of SF REIT" of this Offering Circular. The consideration for the Hong Kong Property is recorded as the Chui Yuk Promissory Note. The Chui Yuk Promissory Note forms part of the Golden Bauhinia Promissory Note which will be settled by SF REIT after Listing as set out in note 5(e) below. According to the basis of presentation as described in Note 1.3 to the Accountant's Report as set out in Appendix I to this Offering Circular, the Reorganisation is regarded as a business combination under common control. The above consideration payable is regarded as a deemed distribution and recorded against other reserves.

(4) This represents the settlement by Golden Bauhinia of the non-trade related amounts due from related parties of approximately HK$118,000 and non-trade related amounts due to related parties of approximately HK$224,747,000, comprising loans from related parties in the PRC of approximately HK$224,252,000 and non-trade related other payables to related parties of approximately HK$495,000. The settlement will be financed through loan draw-down under the Onshore Loans of approximately HK$224,629,000 and settled before the Asset Injection Completion Date.

(5) The following adjustments represent the acquisition of the entire equity interest of Golden Bauhinia by SF REIT and the settlement of the Golden Bauhinia Promissory Note pursuant to the Sale and Purchase Deed and Code of Real Estate Investment Trusts.

	Based on the Maximum Offer Price of HK$5.16 *HKD'000*	**Based on the Minimum Offer Price of HK$4.68** *HKD'000*
Cash payment:		
Gross proceeds from the Global Offering *(note a)*	2,683,200	2,433,600
Drawn down facilities *(note b)*	1,750,000	1,750,000
Issue costs *(note c)*	(91,203)	(86,617)
Upfront debt coordination fee *(note d)*	(2,090)	(2,090)
Cash to be retained in SF REIT	(55,000)	(55,000)
Total cash payment	4,284,907	4,039,893
Issuance of Units	1,444,800	1,310,400
Total consideration *(note e)*	5,729,707	5,350,293

(a) This represents the estimated gross proceeds from the Global Offering. The proceeds from issuance of 800,000,000 Units are based on the Maximum Offer Price and the Minimum Offer Price of HK$5.16 and HK$4.68 respectively, taking into account that no cash proceeds are receivable from the issuance of 280,000,000 Units out of the total of 800,000,000 Units issued (note 5(e) below) as they were a part of the consideration for the acquisition of Golden Bauhinia from the SFH Group.

(b) This represents the loan draw-down under the Term Loan of approximately HK$1,750,000,000 as part of the cash payment to the SFH Group for the acquisition of Golden Bauhinia.

(c) This represents the issue costs of approximately HK$91,203,000 and HK$86,617,000 based on the Maximum Offer Price and the Minimum Offer Price, respectively, which include underwriting commission and other legal and professional fees directly related to the Listing, assuming the Over-allotment Option is not exercised. Of the total issue cost, the portion to be charged to the profit and loss account amounted to approximately HK$18,008,000 and HK$17,931,000 based on the Maximum Offer Price and the Minimum Offer Price, respectively. As at 31 December 2020, issue costs of approximately HK$4,520,000 were already paid by the Predecessor Group on behalf of SF REIT and are recorded as other receivables due from related parties by the Predecessor Group.

(d) This represents the upfront debt coordination fee for the Term Loan of approximately HK$2,090,000.

(e) The total consideration is used to acquire Golden Bauhinia from the SFH Group and to settle the Golden Bauhinia Promissory Note, as summarised below:

	Based on the Maximum Offer Price of HK$5.16	**Based on the Minimum Offer Price of HK$4.68**
	HKD'000	*HKD'000*
Cash payment for:		
Settlement of the consideration payable to the SFH Group for the PRC Properties (the "PRC Reorganisation Payables")	369,697	369,697
Settlement of the Chui Yuk Promissory Note	2,170,967	2,170,967
Acquisition of Golden Bauhinia and settlement of assigned Golden Bauhinia Payables *(note f)*	1,744,243	1,499,229
Total cash consideration	4,284,907	4,039,893
Issuance of 280,000,000 Units for acquisition of Golden Bauhinia and settlement of assigned Golden Bauhinia Payables *(note f)*	1,444,800	1,310,400
Total consideration	5,729,707	5,350,293

(f) The consideration for the acquisition of Golden Bauhinia and settlement of assigned Golden Bauhinia Payables are summarized below:

	Based on the Maximum Offer Price of HK$5.16	**Based on the Minimum Offer Price of HK$4.68**
	HKD'000	*HKD'000*
Net asset value of the Predecessor Group after Reorganisation as set out in note 7 below	42,143	42,143
Settlement of the assigned Golden Bauhinia Payables	2,713,088	2,713,088
Goodwill arising from the Asset Injection as set out in note 7 below	433,812	54,398
Total consideration	3,189,043	2,809,629
Represented by:		
Cash consideration	1,744,243	1,499,229
Issuance of Units	1,444,800	1,310,400

(g) This represents the settlement of the assigned Golden Bauhinia Payables by SF REIT on the Asset Injection Completion Date of approximately HK$2,713,088,000, of which approximately HK$31,935,000 is due within one year and approximately HK$2,681,153,000 is due after one year. The Golden Bauhinia Payables consist of loans from related parties in Hong Kong of approximately HK$2,681,153,000, related interest payables of approximately HK$28,259,000 and payables to SF Holding for the transfer of 1% of the equity interest in each of the PRC Property Companies by Full Will to the Predecessor Group of approximately HK$3,676,000.

(6) This represents the elimination of pre-acquisition reserves of the Predecessor Group upon acquisition by SF REIT.

(7) This represents the recognition of the excess of the cost of acquisition at the Asset Injection Completion Date over the assumed fair value of net identifiable assets and liabilities of the Predecessor Group on the assumption that International Financial Reporting Standards 3, *Business Combination* can be applied.

	Based on the Maximum Offer Price of HK$5.16	**Based on the Minimum Offer Price of HK$4.68**
	HKD'000	*HKD'000*
Total consideration	5,729,707	5,350,293
Less: net asset value of the Predecessor Group after Reorganisation		
Net asset value of Golden Bauhinia as at 31 December 2020	*2,213,110*	*2,213,110*
Payables arising from the Reorganisation as set out in note 3 above	*(2,170,967)*	*(2,170,967)*
	5,687,564	5,308,150
Settlement of the PRC Reorganisation Payables	(369,697)	(369,697)
Settlement of the Chui Yuk Promissory Note	(2,170,967)	(2,170,967)
Settlement of the assigned Golden Bauhinia Payables	(2,713,088)	(2,713,088)
Goodwill arising from the Asset Injection	433,812	54,398

The pro forma goodwill arising from the Asset Injection is attributable to the synergy arising from the Reorganisation and the Asset Injection and the enhancement in corporate profile and market reputation of SF REIT. For the purpose of the Unaudited Pro Forma Financial Information, the REIT Manager has made an assessment on whether there is any impairment in respect of the goodwill arising from the Asset Injection with reference to International Accounting Standard 36, *Impairment of Assets* ("IAS 36"). Based on the assessment results, the REIT Manager is not aware of any goodwill impairment.

The REIT Manager will perform an assessment of impairment on SF REIT's goodwill (if any) upon completion of the Asset Injection and at the end of each reporting period, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with SF REIT's accounting policies. The REIT Manager confirms that consistent accounting policies will be applied for assessing impairment of goodwill in accordance with IAS 36.

Since the fair values of the assets and liabilities of the Predecessor Group as at the Asset Injection Completion Date may be different from their assumed fair values used in the preparation of the Unaudited Pro Forma Financial Information presented above, the actual excess or shortfall of the costs of acquisition over the fair values of net identifiable assets and liabilities of the Predecessor Group, arising from the acquisition, if any, may be different from the estimated amount shown in this Unaudited Pro Forma Financial Information.

(8) SF REIT is required to distribute to Unitholders an amount of no less than 90% of SF REIT's annual distributable income for each financial year. Accordingly, the Units contain contractual obligations to pay cash dividends and also, upon the termination of SF REIT, a share of all net cash proceeds derived from the sale or realisation of the assets of SF REIT less any liabilities, in accordance with their proportionate interest in SF REIT at the date of its termination. The Unitholders' funds (which are represented by the net proceeds from the issuance of Units) are therefore classified as financial liabilities in accordance with International Accounting Standard 32, *Financial Instruments: Disclosure and Presentation*. It is shown on the Unaudited Pro Forma Financial Information as net assets attributable to Unitholders.

(9) The NAV per Unit are approximately HK$5.05 and HK$4.57 based on the Maximum Offer Price and the Minimum Offer Price, respectively. The calculation of the NAV per Unit is arrived at on the basis of the net assets attributable to Unitholders extracted from the Unaudited Pro Forma Financial Information based on the Maximum Offer Price and the Minimum Offer Price, respectively and on the basis that 800,000,000 Units will be in issue upon the completion of the Global Offering. The Maximum Offer Price of HK$5.16 and the Minimum Offer Price of HK$4.68 represent a premium of approximately 2.18% and approximately 2.41% to the NAV per Unit based on the Maximum Offer Price and the Minimum Offer Price, respectively.

(10) Apart from as disclosed above, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by Golden Bauhinia or SF REIT subsequent to 31 December 2020.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this offering circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of SF REIT Asset Management Limited (As manager of SF Real Estate Investment Trust)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SF Real Estate Investment Trust ("**SF REIT**") and its controlled entities (collectively the "**SF REIT Group**") by the directors of SF REIT Asset Management Limited (the "**Directors of the REIT Manager**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated financial position of the SF REIT Group as at 31 December 2020 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-11 of SF REIT's offering circular dated 5 May 2021, in connection with the proposed initial public offering of the units of SF REIT (the "**Offering Circular**"). The applicable criteria on the basis of which the Directors of the REIT Manager have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-11 of the Offering Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the REIT Manager to illustrate the impact of the proposed initial public offering on financial position of SF REIT as at 31 December 2020 as if the proposed initial public offering had taken place at 31 December 2020. As part of this process, information about Golden Bauhinia Logistics Holdings Limited and its subsidiaries (together, the "**Predecessor Group**")'s financial position has been extracted by the Directors of the REIT Manager from the financial information of the Predecessor Group for the year ended 31 December 2020, on which an accountant's report has been published as set out in Appendix I of the Offering Circular.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors of the REIT Manager are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), as if paragraph 4.29 of the Listing Rules were applicable to SF REIT and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *Hong Kong Standard on Quality Control 1* issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to SF REIT, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors of the REIT Manager have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to SF REIT and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in an offering circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the REIT Manager on the basis stated;

(b) such basis is consistent with the accounting policies of the SF REIT Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to SF REIT.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 5 May 2021

A. LETTER FROM THE REIT MANAGER

The following is the text of the letter from the REIT Manager in relation to the forecast combined net profit of SF REIT for the period from the Listing Date to 31 December 2021 as set out in the section headed "Profit Forecast for the Profit Forecast Period" in this Offering Circular.

5 May 2021

Securities and Futures Commission
Investment Products Division
54/F, One Island East
18 Westlands Road, Quarry Bay
Hong Kong

Dear Sirs,

Confirmation regarding the profit forecast contained in the offering circular

We, SF REIT Asset Management Limited (the "**REIT Manager**"), in our capacity as the manager of SF Real Estate Investment Trust ("**SF REIT**"), hereby confirm that:

(a) we have exercised due care and consideration in compilation of the profit forecast of SF REIT for the period from the Listing Date to 31 December 2021 (the "**Profit Forecast**") as set out in the section headed "Profit Forecast for the Profit Forecast Period";

(b) we have satisfied ourselves that the Profit Forecast has been stated after due and careful enquiry; and

(c) we consider that the bases, accounting policies and assumptions used in the Profit Forecast to be appropriate and reasonable.

We are satisfied that all material facts which have come to our attention have been taken into account in arriving at the Profit Forecast and are satisfied that the Profit Forecast has been properly considered and documented.

Yours faithfully,

SF REIT Asset Management Limited
(in its capacity as manager of SF Real Estate Investment Trust)

B. LETTER FROM PRICEWATERHOUSECOOPERS

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this offering circular.

pwc 羅兵咸永道

The Board of Directors
SF REIT Asset Management Limited (As Manager of SF Real Estate Investment Trust)
Room 2002, 20/F, Lee Garden Six,
111 Leighton Road,
Causeway Bay,
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Central
Hong Kong

5 May 2021

Dear Sirs,

SF Real Estate Investment Trust ("SF REIT")

PROFIT FORECAST FOR THE PERIOD FROM 17 MAY 2021 (THE "LISTING DATE") TO 31 DECEMBER 2021

We refer to the forecast of the consolidated profit of SF REIT for the period from the Listing Date to 31 December 2021 (the "Profit Forecast") set forth in the section headed "Profit Forecast for the Profit Forecast Period" in the offering circular of SF REIT dated 5 May 2021 (the "Offering Circular").

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

DIRECTORS' RESPONSIBILITIES

The Profit Forecast has been prepared by the directors of SF REIT Asset Management Limited (the "REIT Manager") based on a forecast of the consolidated results of SF REIT and its controlled entities (the "SF REIT Group") for a period from the Listing Date to 31 December 2021.

The directors of the REIT Manager are solely responsible for the Profit Forecast.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the directors of the REIT Manager have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors of the REIT Manager and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies expected to be adopted by the SF REIT Group as set out in the sub-section headed "Profit Forecast for the Profit Forecast Period – Other Assumptions" on pages 211 to 212 of the Offering Circular. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors of the REIT Manager as set out in the sub-section headed "Profit Forecast for the Profit Forecast Period – Bases and Assumptions" on pages 204 to 212 of the Offering Circular and is presented on a basis consistent in all material respects with the accounting policies the REIT Manager expects to be adopted by the SF REIT Group as set out in the sub-section headed "Profit Forecast for the Profit Forecast Period – Other Assumptions" on pages 211 to 212 of the Offering Circular.

OTHER MATTER

We draw attention to the sub-section headed "Profit Forecast for the Profit Forecast Period – Bases and Assumptions" on pages 204 to 212 of the Offering Circular which sets out the assumptions made by the directors of the REIT Manager regarding the fair value of the SF REIT Group's investment properties as at 31 December 2021. In preparing the Profit Forecast, the directors of the REIT Manager have assumed that the fair value of the investment properties as at the Listing Date and 31 December 2021 will be the same as the appraised value as at 31 March 2021, hence, the Profit Forecast does not consider any change in fair value of investment properties. The actual increase or decrease in the fair value of the SF REIT Group's investment properties may be different from the amount estimated or forecasted. Any difference between the actual increase or decrease in fair value of the SF REIT Group's investment properties during the period from the Listing Date to 31 December 2021 when compared to the amount as estimated by the directors of the REIT Manager would have the effect of increasing or decreasing the consolidated profit of the SF REIT Group for the period from the Listing Date to 31 December 2021 attributable to unitholders of SF REIT. Our opinion is not qualified in respect of this matter.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

C. LETTER FROM JONES LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED

The following is the text of the letter prepared for the purpose of incorporation in this offering circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in relation to the Rental Income Forecast of SF Real Estate Investment Trust for the period from the Listing Date to 31 December 2021 as set out in the section headed "Profit Forecast for the Profit Forecast Period" in this Offering Circular.

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Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

5 May 2021

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

DBS Asia Capital Limited
73/F The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

We confirm that we have examined the rental income used in the calculations of the profit and distribution forecast of SF Real Estate Investment Trust (the "REIT") for the period from the Listing Date as defined in the offering circular in relation to the Proposed Listing (the "Offering Circular") to 31 December 2021 (the "Profit Forecast") and the related assumptions adopted by the directors of the REIT Manager as required by Appendix F of the Code on Real Estate Investment Trusts and set out under the section headed "Profit Forecast for the Profit Forecast Period" in the Offering Circular and we confirm that such rental income forecast has been compiled in accordance with the assumptions made and such assumptions are reasonable.

The directors of SF REIT Asset Management Limited are solely responsible for the Profit Forecast.

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

D. REPORT OF SOLE LISTING AGENT

The following is the text of the letter from DBS Asia Capital Limited, the Sole Listing Agent of SF REIT, in relation to the forecast combined net profit of SF REIT for the period from the Listing Date to 31 December 2021 as set out in the section headed "Profit Forecast for the Profit Forecast Period" in this Offering Circular.

DBS

5 May 2021

The Directors
SF REIT Asset Management Limited

Dear Sirs,

We refer to the forecast of the consolidated net profit of SF Real Estate Investment Trust ("**SF REIT**") for the period from 17 May 2021, being the anticipated date on which the units of SF REIT are first listed and from which dealings therein are permitted to take place on The Stock Exchange of Hong Kong Limited (the "**Listing Date**"), to 31 December 2021 (the "**Profit Forecast**") as set out in the section headed "Profit Forecast for the Profit Forecast Period" in the offering circular of SF REIT dated 5 May 2021 (the "**Offering Circular**"). The Profit Forecast has been prepared based on a forecast of the consolidated results of SF REIT from the Listing Date to 31 December 2021.

We have discussed with you the bases and assumptions made by you as set out in the section headed "Profit Forecast for the Profit Forecast Period" in the Offering Circular upon which the Profit Forecast has been made. We have also considered, and relied on:

1. the report dated 5 May 2021 from PricewaterhouseCoopers confirming that so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors of the REIT Manager and is presented on a basis consistent in all material respects with the accounting policies the REIT Manager expects to be adopted by the SF REIT Group; and

2. the report dated 5 May 2021 from Jones Lang LaSalle Corporate Appraisal and Advisory Limited confirming that it has examined the rental income used in the calculations of the Profit Forecast and the related assumptions adopted by the REIT Manager, and that such rental income forecast has been compiled in accordance with the assumptions made and such assumptions are reasonable.

On the basis of the foregoing and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers and on the basis of the assumptions adopted by you and reviewed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, for the calculations of the Profit Forecast, we, as the sole listing agent of SF REIT, are of the opinion that the Profit Forecast has been made after due and careful enquiry. You, as directors of SF REIT Asset Management Limited, the manager of SF REIT, are solely responsible for the Profit Forecast.

Yours faithfully

DBS Asia Capital Limited

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this offering circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2021 of the Properties.

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Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

5 May 2021

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

DBS Asia Capital Limited
73/F The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

In accordance with the instructions of SF REIT Asset Management Limited (in its capacity as manager of SF Real Estate Investment Trust, "**SF REIT**") to value Asia Logistics Hub – SF Centre, Foshan Guicheng Fengtai Industrial Park and Wuhu Fengtai Industrial Park (hereafter together referred to as the "**Properties**") held by SF REIT and its subsidiaries (hereafter together referred as the "**SF REIT Group**") in Hong Kong and the People's Republic of China (the "**PRC**", excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan), we confirm 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 market values of the Properties as at 31 March 2021 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the Properties which are held for investment by SF REIT Group 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 capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

We also made reference to Discounted Cash Flow ("DCF") analysis for cross-checking purpose. DCF Analysis involves discounting future cash flow of the property to its present value by using an appropriate discount rate with due allowance for the reversionary net income of the property, which is capitalised with a terminal capitalisation rate. In the course of valuation, we assumed the property is available for lease. With regards to the existing market conditions, the incomes and expenses, stabilisation period and rental growth for each component of the property are estimated to reflect the property performance in the market.

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.

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.

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.

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

We have been shown copies of title documents including State-owned Construction Land Use Rights Grant Contracts, State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrance that might be attached to the Properties or any tenancy amendment. We have relied considerably on the advice given by the REIT Manager's PRC Legal Advisors – King & Wood Mallesons, concerning the validity of the Properties in the PRC.

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 the period between June 2020 and September 2020 and subsequent re-inspection was carried out in April 2021 by Mr. Eddie Yiu, Mr. Kevin Chu, Mr. Samuel Feng and Ms. Cody Pun. Mr. Eddie Yiu is a Chartered Surveyor and a member of RICS and HKIS and has 27 years' experience in the valuation of properties in Hong Kong and the PRC, Mr. Kevin Chu is a Chartered Surveyor and a member of RICS and HKIS and has 20 years' experience in the valuation of properties in Hong Kong. Ms. Cody Pun is a probationer of the HKIS and Mr. Samuel Feng has more than 3 years' experience in the valuation of properties in the PRC and holds a master's degree of Engineering Management from the University of Melbourne.

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

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

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

As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also noted that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have further impact on the real estate market. Therefore, we recommend that you keep the valuation of the Properties under frequent review.

We are independent of SF REIT, the Trustee, the REIT Manager and each of the substantial unitholders of SF REIT and are considered independent in every respect set out in paragraph 6.5 of the REIT Code. Mr. Eddie T. W. Yiu possesses the necessary experience for the valuation of the Properties and has no potential conflict of interest.

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

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

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

No.	Property	Market value in existing state as at the valuation date *HKD*	Interest attributable to SF REIT Group	The market value attributable to SF REIT Group as at the valuation date *HKD*
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)	5,286,000,000	100%	5,286,000,000
	Sub-total:	5,286,000,000	–	5,286,000,000

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

No.	Property	Market value in existing state as at the valuation date *HKD*	Interest attributable to SF REIT Group	The market value attributable to SF REIT Group as at the valuation date *HKD*
2.	Foshan Guicheng Fengtai Industrial Park located at the northern side of Guanli Road and the western side of Guihe Road Nanhai District Foshan City Guangdong Province The PRC (佛山桂城豐泰產業園)	549,200,000	100%	549,200,000
3.	Wuhu Fengtai Industrial Park No. 61 Longteng Road Jiujiang District Wuhu City Anhui Province The PRC (蕪湖豐泰產業園)	264,700,000	100%	264,700,000
	Sub-total:	813,900,000	–	813,900,000
	Grand-total:	6,099,900,000	–	6,099,900,000

Note: The exchange rate adopted in our valuation is RMB1 = HKD1.1832 for Part B, which was the middle rate published by the Bank of China as at the valuation date.

VALUATION CERTIFICATE

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

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *HKD*
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	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. The property is served by 10 lifts. Vehicular access to the ninth floor is via a ramp leading from Tsing Yi Hong Wan Road. The registered site area of the property is approximately 258,334 sq.ft. (or approximately 24,000 sq.m.) The property has a total gross floor area of approximately 1,046,049.54 sq.ft. (or approximately 97,181.28 sq.m.). The usage, gross floor area and gross lettable area details of the property were set out in note 5. The property is held under New Grant No. 21139 for a term of 50 years commencing from 14 January 2011 subject to a payment of annual Government rent of 3% of the prevailing rateable value of the property.	As at the valuation date, portions of the property with a total gross lettable area of approximately 1,587,715.44 sq.ft.(or approximately 147,503.74 sq.m) were rented to various lessees for various terms with the expiry dates between 30 April 2021 and 31 January 2028 with a total monthly rent of approximately HKD15,893,596 before profit tax, exclusive of management fees, Government rent, rates, water and electricity charges and other outgoings. The remaining portion of the property was vacant.	5,286,000,000 (As at the valuation date, based on the aforesaid total monthly rent, the net yield of the property is approximately 3.61%.)

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 storages.

2. Pursuant to our Land Registry search record as at the Latest Practicable Date ("**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; and

   d. 10 tenancy agreements for various terms of 2 to 10 years with various lease expiry dates between 22 May 2021 and 31 January 2028.

4. According to the Approved Tsing Yi Outline Zoning Plan No. S/TY/30 gazetted on 13 March 2020, 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 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]

Note: In Hong Kong, certain common areas such as driveways and underground carparks 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.

6. 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.ft.)*	**Gross Lettable Area** *(sq.m.)*	**% to Total Gross Lettable Area**
Leased	1,587,715.44	147,503.74	92.0%
Vacant	137,977.09	12,818.50	8.0%
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**
2021	105,185.00	9,772.02	6.1%	1,497,012	9.4%
2022	262,330.00	24,371.28	15.2%	2,306,932	14.5%
2023	67,973.21	6,314.92	3.9%	1,083,187	6.8%
2024	44,173.00	4,103.81	2.6%	662,595	4.2%
2025	753,907.63	70,040.38	43.7%	6,802,404	42.8%
2026	199,159.80	18,502.57	11.5%	1,991,598	12.5%
2027	99,794.03	9,271.18	5.8%	997,940	6.3%
2028	55,192.77	5,127.58	3.2%	551,928	3.5%
Total:	1,587,715.44	147,503.74	92.0%	15,893,596	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**
0 – 1 year	8,345.00	775.28	0.5%	0	0%
1 – 2 years	227,071.00	21,095.61	13.1%	1,778,047	11.2%
2 – 3 years	142,702.00	13,257.46	8.3%	2,216,751	14.0%
3 – 4 years	44,173.00	4,103.81	2.6%	662,595	4.2%
4 – 5 years	57,370.21	5,329.87	3.3%	892,333	5.6%
5 – 6 years	47,596.00	4,421.82	2.7%	482,806	3.0%
6 – 7 years	154,884.00	14,389.21	9.0%	1,548,840	9.7%
7 – 8 years	44,173.00	4,103.81	2.6%	441,730	2.8%
9 – 10 years	861,401.23	80,026.87	49.9%	7,870,494	49.5%
Total:	1,587,715.44	147,503.74	92.0%	15,893,596	100.0%

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

7. According to the information provided by the REIT Manager and the record at the time of our inspection in the period between June 2020 and September 2020 and in April 2021, portions of the basement floor and fourth floor are used by a connected party for loading and unloading storage and supporting facilities purposes including the installation of certain equipment for such purposes and portions of the ground floor, first floor, fourth floor and sixth to eighth floor are used by various tenants for ancillary office purpose, which are non-conforming uses. In our valuation, we have taken into account the legal issues relating to non-conforming uses and miscellaneous unauthorised building works as set forth in the section headed "The Properties and Business" of the offering circular.

   Pursuant to a Certificate of Title of the property by the REIT Manager's Hong Kong Legal Advisors, should the Company receive a Warning Notice or Building Order from the Government, upon reinstatement of the property by the tenant or the Company, to conform with the approved carpark layout plan/occupation permit and within the time prescribed in the Warning Notice and Building Order, the Non-Conforming Uses are rectified, the non-compliance of Government Grant will cease and the Building Order is complied with. As such, there is no real risk of re-entry by the Government.

   In the course of our valuation, we have valued the property in accordance with the original designated use as shown on approved building plans and have not taken into account any removal or reinstatement cost regarding the above-mentioned miscellaneous unauthorised building works and the non-conforming uses.

8. In valuing the property, we have adopted Income Capitalisation Method. We also make reference to comparable sales transactions and DCF analysis for cross-checking purpose. 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	2.7	3.9%	4.4%
Warehouse	12.5–16	3.9%	4.4%
Ancillary Office	13	3.9%	4.4%

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

9. Market Overview

Hong Kong is a metropolitan city and special administrative region of People's Republic of China, located on the south-eastern Pearl River Delta of the South China Sea, with a land area of approximately 2,755 square kilometres. 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 of the world. The city has constructed world-class infrastructure to enhance its status on logistics. Threatened by COVID-19 Pandemic in 2020, Hong Kong's GDP is approximately HKD2,628 billion with CAGR of approximately 0.2% from 2015 to 2020.

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.

The overall supply of modern logistics property is insufficient in Kwai Tsing, even in Hong Kong, which is mainly because of the shortage on land resources. There would be no projects in pipeline expected for completion before 2022. On the other hand, the rental demand remains strong and is expected to increase due to Hong Kong's free-port status, which attracts tenants from all over the world, and the continuous development of Greater Bay Area. Specifically, Kwai Tsing is one of the most attractive destinations for logistics enterprises considering its mature infrastructure and convenient transportation. Overall speaking, the supply will still to be short of demand for Hong Kong's modern logistics property market in the next few years.

Given the above supply-demand condition, the rental level of modern logistics property in Kwai Tsing witnessed a stable growth during 2017-2019 and then declined in 2020, when tenants were observed reconsidering non-modern logistics facilities or other districts with lower cost. In the future, as the ease of COVID-19 pandemic and China-US tension and the rising of e-commerce, the rental level is believed to rebound.

As for investment activity, Hong Kong has always been popular for investors around the world. Even though the uncertainties caused by the adjustments on Hong Kong's politic environment, trade tensions between the US and the PRC and the outbreak of COVID-19 were increasing in the past few years, the market recorded numbers of transactions engaging well-known participants such as China Resources, Tang Shing Bor, etc.

VALUATION CERTIFICATE

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

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *HKD*
2.	Foshan Guicheng Fengtai Industrial Park located at the northern side of Guanli Road and the western side of Guihe Road Nanhai District Foshan City Guangdong Province The PRC (佛山桂城豐泰產業園)	The property occupies a parcel of land with a site area of approximately 59,600 sq.m., which had been developed into an industrial park in one phase. The property comprises a 3-storey distribution centre with ramp access and an ancillary building which were completed in 2021. 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 were set out in note 6. The land use rights of the property have been granted for a term of 50 years expiring on 20 July 2049 for industrial use.	As at the valuation date, the property with a total gross lettable area of approximately 84,890.76 sq.m. was rented to a lessee for a term with the expiry date on 31 August 2025 with a monthly rent of approximately RMB2,426,007 before profit tax, exclusive of management fees, value-added tax, water and electricity charges and other outgoings.	549,200,000 (Equivalent to RMB464,200,000) (As at the valuation date, based on the aforesaid total monthly rent, the net yield of the property is approximately 6.27%)

Notes:

1. The property is situated on the northern side of Guanli Road close to its junction with Guihe Road to the east. The locality is characterised by industrial/warehouse buildings of various age.

2. Pursuant to a State-owned Land Use Rights Certificate – Nan Fu Guo Yong (2016) Di No. 0601063, the land use rights of a parcel of land with a site area of approximately 59,600 sq.m. have been granted to Foshan Runzhong Industrial Investment Co., Ltd. (佛山潤眾工業投資有限公司, "Foshan Company (PRC)") for a term expiring on 20 July 2049 for industrial use.

3. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 440605201800115 and 440605201800117 in favour of Foshan Company (PRC), Foshan Guicheng Fengtai Industrial Park with a total gross floor area of approximately 79,332.51 sq.m. has been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits – Nos. 440605201812170101-09 and 440605201812170401-09 in favour of Foshan Company (PRC), permissions by the relevant local authority were given to commence the construction of Foshan Guicheng Fengtai Industrial Park with a total gross floor area of approximately 79,332.51 sq.m.

5. 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 Company (PRC). The relevant land use rights have been granted to Foshan Company (PRC) for a term of 50 years expiring on 20 July 2049 for industrial use.

6. 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.)*
Distribution Centre	82,009.08	84,890.76
Ancillary	543.16	
Total:	82,552.24	84,890.76[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.

7. 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	84,890.76	100%
Vacant	0.00	0%
Total:	84,890.76	100%

Lease Expiry Profile

Expiry year	Gross Lettable Area *(sq.m.)*	% to Total Gross Lettable Area	Monthly Rent *(RMB)*[Note]	% to Total Monthly Rent
2025	84,890.76	100%	2,426,007	100%
Total:	84,890.76	100%	2,426,007	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 year	84,890.76	100%	2,426,007	100%
Total:	84,890.76	100%	2,426,007	100%

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

8. According to the information provided by the REIT Manager and the record at the time of our inspection in the period between June 2020 and September 2020 and in April 2021, the property has been leased for warehousing and logistics purposes, which technically do not conform with the property Designated Uses. The PRC Legal Advisors have confirmed that the Foshan Property Non-Conforming Matters will not affect whether SF REIT shall, through Foshan Company (PRC), hold good marketable legal and beneficial title in the property after Asset Injection Completion and upon Listing. Further, the PRC Legal Advisors are also of the view that the nonconformity described above will not, in and of itself, prevent the property from being leased, bought, sold or being accepted by banks as security for mortgages (Please refer to the section headed "RISK FACTORS – There are discrepancies between the Foshan Property Designated Uses and the actual use of the Foshan Property" of the offering circular for more details). In the course of our valuation, we have taken into account the legal issues relating to non-conforming uses as set forth in the section headed "The Properties and Business" of the offering circular.

9. We have been provided with a legal opinion regarding the property interest by the REIT Manager's PRC Legal Advisors, which contains, *inter alia*, the following:

   a. Foshan Company (PRC) has obtained and is in possession of the land use rights of the property;

   b. Foshan Company (PRC) has obtained requisite investment initiation documents, construction work planning permits, construction work commencement permits and has finished the procedure of the filling of construction work completion and inspection acceptance; and

   c. Foshan Company (PRC) has obtained the real estate title certificates of the property. Foshan Company (PRC) is legally in possession of the building ownership rights and the relevant land use rights of the property and has the rights to legally and occupy and use the property (except for the lessees' rights of lease which are attached to the leased units pursuant to the relevant lease agreements), and has the rights to transfer (all buildings must be transferred in its entirety and cannot be transferred individually without permission), lease, mortgage or otherwise dispose of the property in accordance with the law and receive income (for real estate title subject to existing mortgage, during the mortgage term, the transfer or otherwise disposal of the property by Foshan Company (PRC) should be in compliance with relevant law and regulations such as Article 406 of the Civil Code of the People's Republic of China and the terms stipulated in the loan agreements and mortgage contracts).

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
b.	Construction Work Planning Permit	Yes
c.	Construction Work Commencement Permit	Yes
d.	Real Estate Title Certificate	Yes

11. In valuing the property, we have adopted Income Capitalisation Method. Due to the lack of sufficient market sale transaction of similar properties in Foshan City, we only make reference to DCF analysis for cross-checking purpose. The key parameters used in the Income Capitalisation Method are summarised below:

Usage	**Monthly Market Rent** *(RMB/sq.m.)*[Note]	**Term Yield**	**Reversionary Yield**
Logistics	39.1	5%	5.5%

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

12. Market Overview

Foshan is a prefecture-level city located in the central part of Guangdong Province and the western side of the Pearl River Delta Economic Zone, covering 3,848 square kilometres and has an urban population of over 10 million in 2020. It has cultivated a developed economy mainly supported by its solid foundation on private manufacturing. The city is now well-known in China as a manufacturing centre in western Greater Bay Area. Foshan is a main interchange for railway routes to link Western Guangdong Province with Guangzhou on the east and Hong Kong to the south. With an advantageous proximity, Foshan is able to integrate its development of infrastructure and logistics facilities with Guangzhou. From 2015 to 2020, the city saw a stable GDP increase with a CAGR at approximately 7.6%.

The annual supply of modern logistics property in Foshan is fluctuating in recent years. Since the land price in Guangzhou grows rapidly, developers shift their attention to satellite cities such as Foshan, and it results on the boosting of supply. From the demand side, the development of manufacturing industry presents an important part of demand. More and more manufacturing enterprises were transferred from Guangzhou to Foshan where lower rental price with equally comprehensive logistics and transportation facilities were provided. Planned as a national logistics hub, Foshan is expected to enlarge the market size of modern logistics property for the expansion of e-commerce.

Due to the strong rental demand, the average rent of modern logistics property in Foshan kept increasing to reach approximately RMB1.20 per sq.m. per day in the fourth quarter in 2020 and is expected to continue climbing up in the foreseeable future. Besides, as in a stage of rapid expansion, Foshan saw a few sales transactions in recent years.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *HKD*
3.	Wuhu Fengtai Industrial Park No. 61 Longteng Road Jiujiang District Wuhu City Anhui Province The PRC (蕪湖豐泰產業園)	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. The property comprises 2 one-storey warehouses, a two-storey distribution centre, a research and development building and 2 ancillary buildings which were completed in 2018. 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 5. The land use rights of the property have been granted for a term of 50 years expiring on 20 January 2066 for warehouse use.	As at the valuation date, portions of the property with a total gross lettable area of approximately 60,548.99 sq.m. were rented to various lessees for various terms with the expiry dates between 15 April 2021 and 4 January 2024 with a total monthly rent of approximately RMB1,403,034 before profit tax, exclusive of management fees, value-added tax, water and electricity charges and other outgoings.	264,700,000 (Equivalent to RMB223,700,000) (As at the valuation date, based on the aforesaid total monthly rent, the net yield of the property is approximately 7.53%.)

Notes:

1. 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.

2. Pursuant to 2 State-owned Construction Land Use Rights Grant Contracts – Nos. Jiu 201547 and Jiu 201615, the land use rights of 2 parcels of land with a total site area of approximately 108,390.90 sq.m. were contracted to be granted to Wuhu Fengtai E-commerce Industrial Park Asset Management Co., Ltd. (蕪湖市豐泰電商產業園管理有限公司, "Wuhu Company (PRC)") for a term of 50 years for warehouse use commencing from the land delivery date. The total land premium was RMB39,250,000.

3. Pursuant to a Real Estate Title Certificate (for land) – (Wan 2016) Wu Hu Shi Bu Dong Chan Quan Di No. 0119326, the 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.

4. Pursuant to 6 Real Estate Title Certificates – (Wan 2019) Wu Hu Shi Bu Dong Chan Quan Di Nos. 0705212 to 0705217, the property with a total gross floor area of approximately 62,304.16 sq.m. is owned by Wuhu Company (PRC). The relevant land use rights have been granted to Wuhu Company (PRC) for a term of 50 years expiring on 20 January 2066 for warehouse use.

5. 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	29,972.98	30,562.49
Distribution Centre	22,567.77	23,730.00
Ancillary Office and Dormitory	9,763.41	8,111.98
Total:	62,304.16	62,404.47[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 higher than Gross Floor Area in this circumstance.

6. 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	60,548.99	97.0%
Vacant	1,855.48	3.0%
Total:	62,404.47	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
2021	2,189.28	3.5%	33,878	2.4%
2022	26,570.18	42.6%	756,886	54.0%
2023	31,718.73	50.8%	610,358	43.5%
2024	70.80	0.1%	1,912	0.1%
Total:	60,548.99	97.0%	1,403,034	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	2,067.07	3.3%	30,745	2.2%
1 – 2 years	483.35	0.8%	9,187	0.7%
2 – 3 years	57,998.57	92.9%	1,363,102	97.1%
Total:	60,548.99	97.0%	1,403,034	100.0%

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

7. Under the Wuhu Land Grant Contracts, Wuhu Company (PRC) undertook that: (i) starting from the year after the completion of construction of the property, the expected amount of tax levied per mu of the property per year shall not be lower than a prescribed level; (ii) at the time of completion of the inspection and acceptance procedures, the tax leviable per mu shall reach a certain prescribed level. Moreover, under the Wuhu Project Investment Contracts, Wuhu Company (PRC) gave a similar undertaking that the annual tax levied on the property shall not be lower than a certain prescribed level. These undertaking, under the Wuhu Land Grant Contracts and/or the Wuhu Project Investment Contracts have not been fulfilled. The PRC Legal Advisors have confirmed that the Wuhu Property Non-Conforming Matters will not affect whether SF REIT shall, through Wuhu Company (PRC), hold good marketable legal and beneficial title in the property after Asset Injection Completion and upon Listing. Furthermore, the PRC Legal Advisors are of the view that the non-compliance described above will not prevent the property from being leased, bought, sold or being accepted by banks as security for mortgages (Please refer to the section headed "RISK FACTORS – Failure to fulfil certain operating performance targets prescribed under the Wuhu Land Grant Contracts and/or the Wuhu Project Investment Contracts may affect the business, financial condition and results of operations of SF REIT" of the offering circular for more details). In the course of our valuation, we have taken into account the legal issues relating to non-conforming uses as set forth in the section headed "The Properties and Business" of the offering circular.

8. We have been provided with a legal opinion regarding the property interest by the REIT Manager's PRC Legal Advisors, which contains, *inter alia*, the following:

   a. Wuhu Company (PRC) has obtained and is in possession of the land use rights of the property; and

   b. Wuhu Company (PRC) has obtained the real estate title certificates of the property. Wuhu Company (PRC) is legally in possession of the building ownership rights and the relevant land use rights of the property and has the rights to legally and occupy and use the property (except for the lessees' rights of lease which are attached to the leased units pursuant to the relevant lease agreements), and has the rights to transfer (the buildings cannot be transferred individually unless permitted by Bureau of Housing and Urban-rural development), lease, mortgage or otherwise dispose of the property in accordance with the law and receive income (for real estate title subject to existing mortgage, during the mortgage term, the transfer or otherwise disposal of the property by Wuhu Company (PRC) should be in compliance with relevant law and regulations such as Article 406 of the Civil Code of the People's Republic of China and the terms stipulated in the loan agreements and mortgage contracts).

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Real Estate Title Certificate	Yes

10. In valuing the property, we have adopted Income Capitalisation Method. Due to the lack of sufficient market sale transaction of similar properties in Wuhu City, we only make reference to DCF analysis for cross-checking purpose. 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	19.3	5%	5.5%
Distribution Centre	29.4	5%	5.5%
Ancillary Office and Dormitory	17.3	5%	5.5%

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

11. Market Overview

Wuhu is a prefectural level city located in south-eastern part of Anhui Province and is one of the 27 cities of the core zone of 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 2019, the city covered approximately 6,026 square kilometres and had a population of approximately 3.77 million of 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 Yangtze River Delta. There are 7 high-speed railway stations in Wuhu which connect Wuhu to all major cities in East China. From 2015 to 2020, Wuhu is recorded with a GDP increase at a CAGR of approximately 9.1%.

Although with an advantageous location in the Yangtze River Delta, Wuhu was not set as a key investment destination by logistics developers before 2015 and it resulted in the shortage of supply. As the transportation condition improved and the strategic plan of Wuhu Economy Development Area and Jiuijiang Economy Development Area were set, Wuhu was recognized with great potential for modern logistics industry and thereafter attracted major developers to get in the market. However, after years of rapid growth, the modern logistics property market in Wuhu showed oversupply, leading to a relatively high level of vacancy rate. Traditional manufacturing industries so far stand as a major tenant for the market, yet such demand is predicted to have weaker rental capacity and ask for less rental area. Thus, modern logistics demand such as e-commerce derived from the integration of Yangtze River Delta is supposed to provide the fresh and sustainable drivers for Wuhu's market.

As the annual supply dropped down and grew with in a rational rate, the rent level of Wuhu's modern logistics property remained increasing since 2015. However, the oversupply resulted in a mild growth rate for rental price. In 4Q2020, Wuhu saw an overall rent at around RMB0.85 per sq.m. per day. Before the new drivers mentioned are brought up, it is expected that the growth rate of rental will remain at a moderate level. As in a stage of growing maturity, Wuhu saw a few sales transactions in recent years.

MARKET RESEARCH REPORT
IN RESPECT OF
THE LOGISTICS INDUSTRY AND LOGISTICS PROPERTY MARKET
IN
THE PRC AND HONG KONG

CLIENT: SF REIT Asset Management Limited
REF. NO.: CON100382270
DATE:

Important

This report is for the use only of the party to whom it is addressed for the specific purposes to which it refers and no responsibility is accepted to any third party for use of or reliance on the whole or any part of its contents for any purpose.

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

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公司牌照號碼:C-030171

Our ref: CON100382270

The Board of Directors

Dear Sirs,

Re: MARKET RESEARCH REPORT IN RESPECT OF THE LOGISTICS INDUSTRY AND LOGISTICS PROPERTY MARKET IN THE PRC AND HONG KONG

In accordance with instructions of SF REIT Asset Management Limited (in its capacity as manager of SF Real Estate Investment Trust) ("**REIT Manager**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**We**") has prepared a research report on the logistics industry and logistics property market in the PRC and Hong Kong for the purpose of inclusion of relevant information in section of **Appendix Report** of the Prospects to be issued in connection with the proposed initial public offering on The Stock Exchange of Hong Kong.

JLL is pleased to enclose herewith the market research report for your attention in due course.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Senior Director

Contents

INTRODUCTION

In accordance with instructions of SF REIT Asset Management Limited (in its capacity as manager of SF Real Estate Investment Trust) ("**REIT Manager**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**We**") has prepared a research report on the logistics property market in the PRC and Hong Kong, for the purpose of inclusion of relevant information in the section of Industry Overview of the Prospectus to be issued in connection with the proposed initial public offering on The Stock Exchange of Hong Kong.

Certain assumptions have been made in this report because some information is not available or falls outside the scope of JLL's knowledge and expertise. While there are reasonable projections based on information available as at the date of this report, necessary assumptions have been applied to JLL study. JLL does not warrant the accuracy or correction of the assumptions.

JLL has relied on the assumptions listed below:

– All relevant records and documents provided by the REIT Manager were true and correct;

– All published data by relevant statistics bureaus are true and correct;

– All collected information relating to real estate sales transactions from relevant local housing administrative bureaus were true and correct;

– All land transaction records collected from relevant land resources administrative bureaus were true and correct;

– Where subscribed data is obtained from renowned public institutions such as Wind (萬得), a financial information services provider in China. JLL will rely upon the apparent integrity and expertise of such institutions. JLL will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.

It is a general market practice to adopt official data and announcements from various Chinese government agencies. The information and statistics set out in this section have been extracted, in part, from various official government publications. JLL believes that the sources of this information are appropriate sources for such information and statistics and reasonable care has been exercised by us in extracting and reproducing such information and statistics. JLL has no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information false or misleading. JLL has not independently verified such information and statistics. Accordingly, JLL does not make any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC.

The major economic and residential property market indicators in the relevant cities of the PRC have been reviewed in order to provide an overview of the city's market characteristics, existing market conditions, emerging trend and prospects as of the date of the report. The forecast of property sales price should not be predictions of the future. Rather, they may be considered as the best estimates of current market. JLL makes no warranty or representation that these forecasts will be achieved. The real estate market is constantly fluctuating and changing. JLL will not take any responsibility to predict or in any way warrant the future conditions of residential property market.

This report was based on desk research of specialised industry literature, government and regulatory sources, online data sources, third-party reports and surveys. It contains a significant volume of information which is derived from other sources relating to the economy and residential property market of the PRC and the relevant city, including National Statistics Bureau and other government authorities. JLL has paid necessary attention to its accuracy and authenticity and does not warrant or represent that such information is free from errors. In the course of research, JLL conducted site visits and numerous interviews with local developers, buyers and potential buyers, local marketing agents and market observers in each market. Moreover, the databases of JLL were utilised if necessary. This report is based on the information available to us as at April 2nd, 2021.

Introduction of JLL

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (formerly known as Jones Lang LaSalle Sallmanns) is part of Jones Lang LaSalle and it conducts advisory and appraisal services. Jones Lang LaSalle is a professional services and investment management firm offering specialised real estate services to clients seeking increased value by owning, occupying and investing in real estate. Jones Lang LaSalle has more than 280 corporate offices, operates in more than 80 countries and has a global workforce of more than 93,000.

Definition

"JLL"	Jones Lang LaSalle
"CREIS"	China Real Estate Index System
"CAGR"	Compound annual growth rate
"GFA"	Gross floor area
"N/A"	Not available/not applicable
"HKEx"	Hong Kong Exchanges and Clearing Limited

THE PRC AND HONG KONG LOGISTICS INDUSTRY

1. Macro Economy

The PRC

During the last ten years, China's economy has experienced a significant growth accompanied by the change of development model. As the world's second-largest economic entity, nominal GDP in the PRC increased to reach RMB101,598.6 billion in 2020, with an average y-o-y real growth rate at approximately 5.7% during 2015-2020. In line with the rapid growth of economy, the fix asset investment on transportation, warehousing and mail industry increased steadily, representing a 2015-2020 CAGR of 6.5%.

Selected economic statistics of the PRC (2015-2019)

	2015	2016	2017	2018	2019	CAGR (2015-2020)
Nominal GDP (RMB billion)	68,886	74,640	83,204	91,928	98,652	8.1%
Total Population (million)	1,375	1,383	1,390	1,395	1,400	0.4%
Retail sale of consumer goods (RMB billion)	28,659	31,581	34,733	37,778	40,802	6.5%
Fix asset investment on transportation, warehousing and mail industry (RMB billion)	4,897	5,363	6,119	6,357*	6,573*	6.5%

*Note: * is estimated number*

Source: National Bureau of Statistics, EIU, JLL

The outbreak of COVID-19 pandemic in 2020 led to widespread impact on either macro economy performance or micro economy activities. As the spread of pandemic has been restrained thanks to the effective measures, the PRC has observed remarkable economic recoveries since the third quarter of 2020. According to the National Bureau of Statistics, economic growth rate of China is estimated to be 1.9% in 2020. It is anticipated that the 2020-2025 CAGR of GDP in the PRC will be approximately 7.6%. For the demographic, the PRC is expected to have a total population in 1,412 million, with a 2020-2025 CAGR of approximately 0.1%.

Selected forecast economic statistics of the PRC (2020-2025)

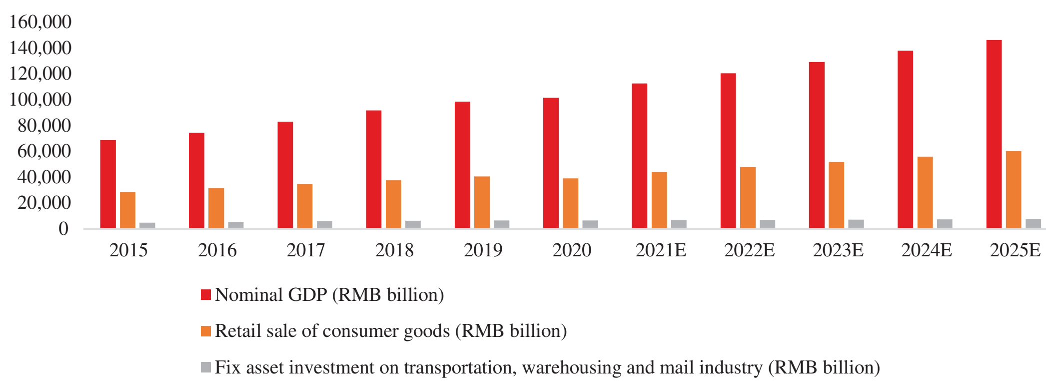
	2020	2021E	2022E	2023E	2024E	2025E	CAGR (2020-2025)
Nominal GDP (RMB billion)	101,599	112,685	120,694	129,325	137,983	146,382	7.6%
Total Population (million)	1,402*	1,406	1,409	1,411	1,412	1,412	0.1%
Retail sale of consumer goods (RMB billion)	39,198	44,059	47,892	51,891	56,073	60,256	9.0%
Fix asset investment on transportation, warehousing and mail industry (RMB billion)	6,705	6,906	7,113	7,327	7,546	7,773	3.0%

Note: * is estimated number

Source: National Bureau of Statistics, EIU, JLL

The chart below sets out selected economic statistics of the PRC from 2015 to 2025.

Selected economic statistics of the PRC (2015-2025)



Source: National Bureau of Statistics, EIU, JLL

Hong Kong

Hong Kong's economy sustained notable expansion throughout 2017 due to the stronger exports and robust domestic demand, the GDP growth rate reached 3.8% which was the highest in recent years. Affected by its high degree of openness and export-oriented economic system, Hong Kong relies greatly on the increased global growth momentum and an upbeat economic sentiment. It indicates that the spread of global affairs, uncertain global political conditions and unclear economic environment can reflect in the economy performance and economy activities of Hong Kong. 2018 and 2019 were two recent timing observing such connections.

In 2020,Hong Kong's GDP dropped to be approximately HKD2,628 billion at constant price with CAGR of approximately 0.2% from 2015 to 2020.

In an optimistic scope[1], it is estimated that Hong Kong's economy will see recovery in 2021 and achieve 2020-2025 CAGR of GDP at approximately 2.8%.

Year-end population of Hong Kong rose from approximately 7.3 million in 2015 to approximately 7.5 million in 2020, with a 2015-2020 CAGR of approximately 0.5%. It is anticipated that the number will grow to approximately 7.8 million in 2025, with a 2020-2025 CAGR of approximately 0.8%.

The table below sets out selected major economic indicators in Hong Kong for the years indicated.

Selected economic statistics of Hong Kong (2015-2019)

	2015	**2016**	**2017**	**2018**	**2019**	**CAGR (2015-2020)**
GDP (HKD billion) constant price	2,600	2,656	2,757	2,835	2,800	0.2%
Year-end population (million)	7.3	7.3	7.4	7.4	7.5	0.5%
Private consumption expenditure (HKD billion) constant price	1,709	1,743	1,839	1,936	1,915	0.2%

Source: Census and Statistics Department, Wind, EIU, JLL

Selected forecast economic statistics of Hong Kong (2020-2025)

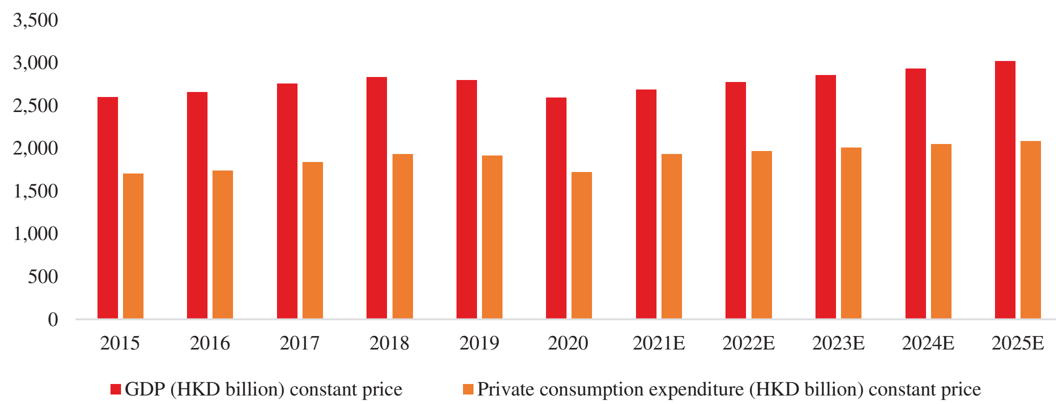
	2020	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**CAGR (2020-2025)**
GDP (HKD billion) constant price	2,628	2,724	2,817	2,855	2,934	3,019	2.8%
Year-end population (million)	7.5	7.6	7.6	7.7	7.7	7.8	0.8%
Private consumption expenditure (HKD billion) constant price	1,724	1,930	1,969	2,008	2,048	2,089	3.9%

Source: International Monetary Fund, Wind, JLL

1 i.e trade tensions between the US and the PRC to be relaxed, the COVID-19 in Hong Kong to be under control, etc.

The chart below sets out selected economic statistics of Hong Kong from 2015 to 2025.

Selected economic statistics of Hong Kong (2015-2025)



Source: Census and Statistics Department, International Monetary Fund, Wind, EIU, JLL

2. Logistics Performance Index

The Logistics Performance Index (LPI) is an interdisciplinary World Bank project launched 10 years ago. The ambition was to develop simple comparators of how efficiently supply chains connect firms to markets,or logistics performance and help countries frame their own policies and motivate consistent approaches to interventions and reforms at the national level. The information on logistics infrastructure, service provision, cross-border trade facilitation, and other aspects is invaluable for policymakers, traders, and a wide audience of other stakeholders, including researchers and teachers. These indexes are announced every two years since most countries' performance does not change very much over the course of every year.

The table below sets out selected major economic indicators in the PRC for the years indicated.

Selected logistics indicators of the PRC (2014, 2016, 2018)

		Ranks of each dimension					
Year	Overall Rank	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
2018	26	31	20	18	27	27	27
2016	27	31	23	12	27	28	31
2014	28	38	23	22	35	29	36

Source: Worldbank

LPI reports referred that China, aligned with developed entitles such as Canada and France, has set up many national strategies or dedicated organisations advancing logistics, which showed great determinations from China's government on developing the industry. Specifically, the enormous investment on logistics infrastructure played a key role on promoting the overall rank. Currently, China is the leader in the top-performing upper-middle-income economies (containing Thailand, South Africa, etc.). Also, the report records that China has a large government-related Federation of Logistics and Purchasing, which could provide a stable support to the development of China's logistics industry in the long run.

The table below sets out selected major logistics indicators in Hong Kong for the years indicated.

Selected logistics indicators of Hong Kong (2014, 2016, 2018)

		Ranks of each dimension					
Year	Overall Rank	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
2018	12	9	15	8	12	15	15
2016	9	7	10	2	11	14	9
2014	15	17	14	14	13	13	18

Source: Worldbank

The table below sets out aggregate LPI ranking for Hong and the PRC for the years indicated.

Aggregate LPI ranking from 2012 to 2018

	Mean Rank (2012-2018)
Hong Kong	9
The PRC	27

Source: Worldbank

According to the Logistics Performance Index Report published by World Bank, Hong Kong's logistics industry has an aggregate ranking of top ten during 2012-2018. Especially, international shipments was the largest advantage with an average ranking of third place (only behind Belgium and Sweden) around the world during 2012-2018. The glossary represents the ease of arranging competitively priced shipments.

3. Trade Volume

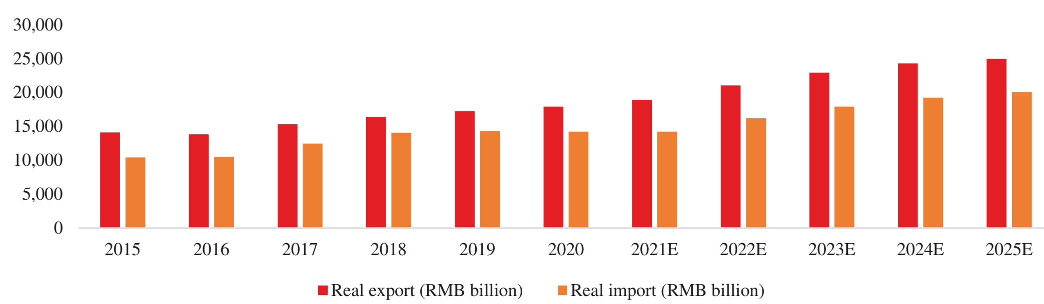
The PRC

With the rapid progress of globalisation and the increasing openness of China's economy, the proportion of foreign trade transactions is also increasing. In 2019, China's total foreign trade volume slightly decreased due to the tense relationship between China and the United States. However, it remained to be the largest in total exports and the second largest in total imports. The future of foreign trade is still promising in China.

From 2015 to 2020, the import and export of the PRC increased with CAGRs of 6.4% and 4.9% respectively. As China is facing a new environment of international trading[2], it is expected that the import and export will have CAGRs of 7.2% and 6.9% respectively during 2020-2025 according to the Economist Intelligence Unit.

The chart below sets out import and export indicators of the PRC for the years indicated.

Import and export of the PRC (2015-2025)



Source: EIU[3], JLL

2 This involves both advantageous and disadvantageous factors such as the launch of B&R initiatives, the wide sanctions from the US, the uncertainties of pandemic worldwide, etc.

3 Reference number may be different with statistics published by official institutions.

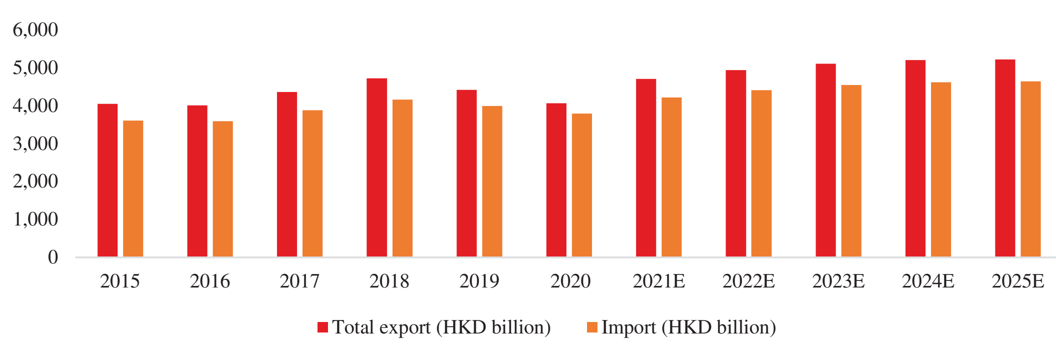
Hong Kong

Historically, Hong Kong was observed with consistent robust growth on trade and showed strong recovery capability after significant risk events. For example, after the 1998 Asian financial crisis, both export and import of Hong Kong revived quickly with an average y-o-y rate of over 8% during 1999-2008. Things were similar after the 2008 Global Financial Crisis, Hong Kong's external merchandise trade remained resilient with an average y-o-y rate of approximately 5% during 2010-2019. Thus, negative impacts from recent events (mainly refers to the pandemic) may be short-term and Hong Kong's external merchandise trade may soon be back to normal thereafter.

From 2015 to 2020, total import and total export increased with CAGRs of 1.7% and 1.1% respectively. It is expected that in an optimistic scope of global conditions[4], once Hong Kong's external merchandise trade is resumed to normal, Hong Kong's import and export are expected to grow at CAGRs of approximately 3.4% and 4.1% respectively during 2020-2025.

The chart below sets out import and export indicators of Hong Kong for the years indicated.

Import and export of Hong Kong (2015-2025)



Source: Hong Kong Bureau of Statistics, JLL

4 i.e politic environment to be relatively stable, trade tensions between the US and the PRC to be relaxed, the COVID-19 around the world to be under control, etc.

4. Logistics Demand Drivers

The PRC

4.1 Growth of Economy

The economic growth of the PRC contributes to the rapid expansion of consumer group in terms of either population or unit consumption. It has also become the main driver for the development of logistics and warehousing. During the last two decades, the number of urban households and per capita expenditure in the PRC keep increasing, contributing to the booming of social consumption. Such trend, together with the steady expansion of middle and high income groups and the improvement of the disposable income per capita, have expedited the development of the emerging e-commerce industry, generating demand for 3PL services and modern logistics facilities.

In 2000, the PRC had only 3 cities with retail sales of consumer goods over RMB100 billion (around USD14.5 billion), while the number of cities skyrocketed to 110 in 2019. Growing sales of consumer goods categorising fast fashion, durable item, food, beverage, commodity, motor and so on motivate manufacturers to enlarge production. As a result, it has generated a growing demand for logistics property, especially those with modern standard.

Another achievement from economic growth lies on the geographical expansion of city boundary. The emergence of metropolitan clusters, two of them are Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area, strengthens the connection and synergy between cities. Such transformation connotes the mega-construction on transport infrastructure and the transfer of industrial facilities.

Besides, people in tertiary cities now have stronger willingness and capabilities to consume. In 2014, the State Council issued the Mid-to-long term development plan for the logistics industry (2014-2020) (物流業發展中長期規劃(2014-2020年)) which regarded logistics industry as one of the fundamental and strategic industries for the national economy development. Taking advantage of metropolitan clusters' evolution, the distribution of logistics facility of all kinds significantly widens.

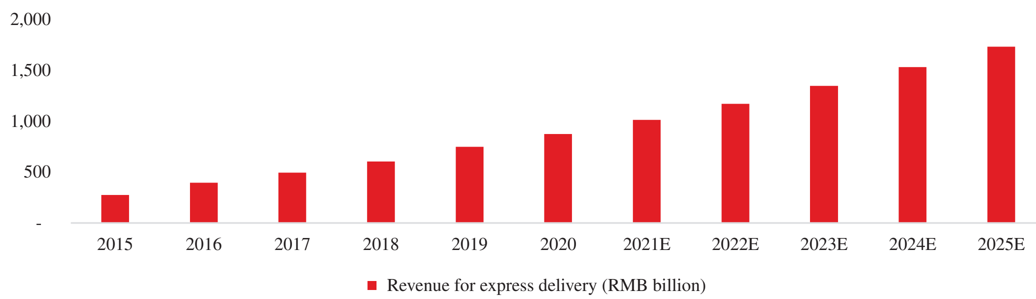
4.2 Growth of 3PL and Express Delivery Market

3PL (including express delivery) is a segment market of logistics services, the growth of this market has contributed to overall growth of the industry by improving the level of specialisation.

The 2015-2020 CAGR for express delivery in the PRC 25.9%. It is expected that express delivery will increase with 2020-2025 CAGR of 14.6%.

The chart below sets out relevant data showing the revenue for express delivery in the PRC from 2015-2025.

Revenue for express delivery in the PRC (2015-2025)



Source: State Post Bureau, National Bureau of Statistics, Wind, JLL

4.3 Growth of E-Commerce Market

The growth of e-commerce will directly drive the development of logistics. The central government of the PRC has realised the importance of e-commerce logistics years ago, and has underlined that the development of e-commerce logistics is crucial for the whole logistics industry.

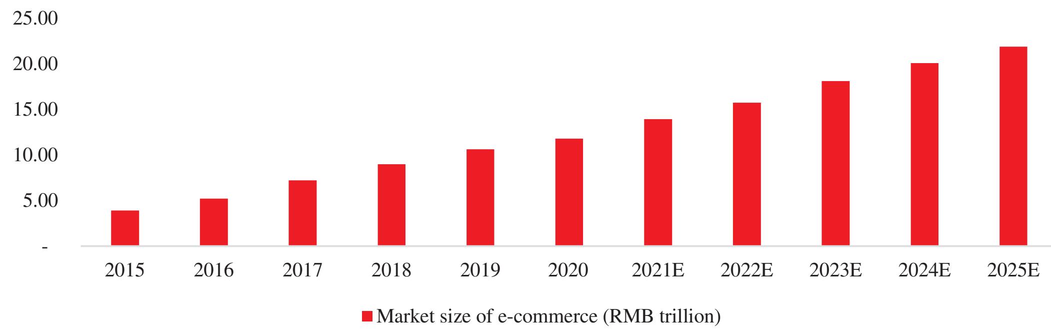
In March 2016, the Ministry of Commerce, National Development and Reform Commission ("NDRC") and four other major ministries announced the Specific Development Plan for E-commerce Logistics 2016-2020 (全國電子商務物流發展專項規劃(2016-2020)), which stimulated the construction of logistics infrastructure nationwide.

In early 2018, the State Council issued the Opinions on promoting the coordinated development of e-commerce and express delivery (關於推進電子商務與快遞物流協同發展的意見). The file proposed six promotion policies including accelerating the constructions of related infrastructure, optimising the traffic management of delivery, improving the service standard at the last step of delivery, etc.

From 2015 to 2020, the e-commerce market grew with a CAGR of approximately 24.8%. It is estimated that the volume of e-commerce will increase to be approximately RMB18.2 trillion by 2025 with 2020-2025 CAGR of 13.2%.

The chart below sets out the market size of e-commerce in the PRC from 2015 to 2025.

Market size of e-commerce* in the PRC (2015-2025)



Note: * the market size is represented by total volume of online retail
Source: Wind, JLL

4.4 Growth of Cold Chain Market

The progression of cold chain logistics recently is the result of consumption upgrade in the PRC. In fact, governments of all levels have brought forward various supporting and subsidy policies. These involve subsidy on purchasing refrigerated vehicles, building cold storage centres and developing cold storage technologies. From the market side, users have urgent requirements for high-standard cold chain system, especially on a stable and adjustable control of storage temperature, good traceability of products and efficient package sorting and distributing. Developers of cold chain facilities are now actively transforming traditional facilities to fit the growing demand.

The COVID-19 to some extent promoted the development of the market as consumer purchased fresh food and pharmaceutical products by using more cold chain express products. As a result, fresh food e-commerce companies operating in front-located warehouse mode (前置倉模式) such as Pupu (樸樸) and Dingdong (叮咚) harvested a lot during the period of lockdown.

Hong Kong

4.5 Prime Location and World-class Infrastructure and Services

With its strategic location in Asia, Hong Kong is possible to capture both growing domestic inbound and international outbound trade demands. According to the Hong Kong Trade Development Council, in 2019, Hong Kong has the busiest airport for cargo (since 2006), the eighth busiest container port and the fourth largest shipping register in the world.

Of equal importance, Hong Kong's people and enterprises have showcased their capabilities on providing world-class trading services concerning with air transport, freight forwarding, sea transport so that to maintain the city's position as the busiest trade hub of Asia. Hong Kong's logistics industry shall continuously enjoy benefits from it.

Moreover, the proposals of "Belt and Road Initiative" (B&R) have further cemented international status for Hong Kong as a key logistics and trading hub in the world. Hong Kong's focal point as a logistics hub for China and the region will underpin demand for logistics facility in Hong Kong. So far, Hong Kong has signed free trade agreements (FTAs) with 20 economies, including the Association of Southeast Asian Nations, Georgia and Australia and has signed Investment Promotion and Protection Agreements with 30 foreign economies and concluded negotiations with Bahrain, Maldives, Mexico and Myanmar. Arrangements with B&R-related economies and other trading partners including the Mainland of China, India, Korea, Singapore, Thailand, Malaysia, Japan, Australia, New Zealand, Israel and Canada have been signed to mutually recognise respective "Authorized Economic Operator" Programmes to facilitate customs clearance.

4.6 Closer Connection with The PRC

The GBA developments allows full integration of transport networks between Hong Kong and the nine mainland cities of the PRC, including air cargo, ground transportation and warehousing services. The Hong Kong-Zhuhai-Macao Bridge, Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Three-runway System of the Hong Kong International Airport (under construction) will strengthen connectivity between Hong Kong, the Mainland and the world.

Moreover, the external sector of Hong Kong has recorded significant growth since 2003 under the Closer Economic Partnership Arrangement ("CEPA"), which is a free trade agreement to strengthen the trading and investment between Hong Kong and China and to foster the economic integration and long term trade development of both places. According to this arrangement, Hong Kong logistics services suppliers are given greater flexibility and in more preferential terms when trying to access the mainland's logistics market. Service suppliers are allowed to establish contractual joint ventures, equity joint ventures or wholly-owned operations to provide airport operation services, computer reservation system services, sales and marketing services and other supporting services for air transport.

4.7 E-commerce Opportunities

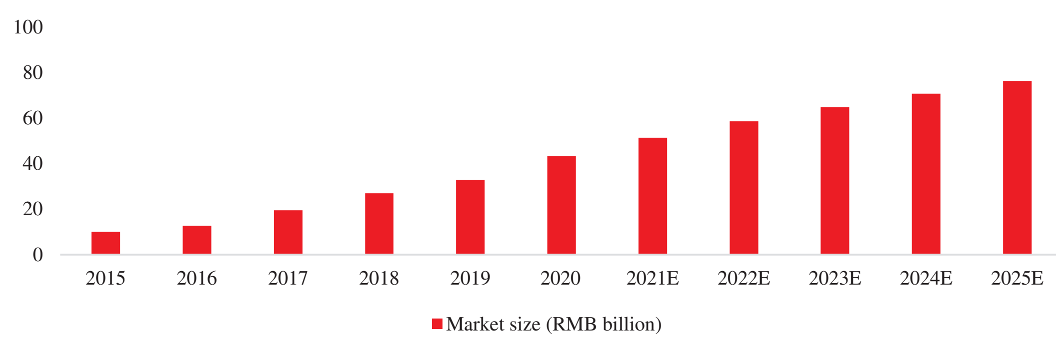
According to Statista, e-commerce sales as a proportion of total retail sales (e-commerce penetration) will steadily increasing worldwide year-on-year. So far, the APAC has the largest e-commerce market in the world. However, online retail currently accounts for less than 10% of total retail sales worldwide, which indicates a huge potential for e-commerce as a future growth driver.

Under this background, Hong Kong encounters plenty opportunities in e-commerce industry benefited from its strategic location in APAC. It is a region being regarded as the world factories where a huge amount of industrial products are produced with Hong Kong as the most important logistics hub.

The growth of the e-commerce market in Hong Kong and the PRC is a major driver for the logistics properties market as e-commerce activities require comprehensive logistics and warehousing support for merchandise storage and distribution. Underpinned by increasing internet usage and household spending power in Hong Kong and the PRC, the e-commerce market has expanded rapidly in these markets over the last decade. The market size in Hong Kong for e-commerce grew with a CAGR of approximately 34.2% during 2015-2020. Considering a relatively large volume base in 2020 comparing with 2015, it is expected that the market size will increase to be approximately RMB76.4 billion in 2025, with 2020-2025 CAGR of 12.0%.

The chart below sets out market size for e-commerce in Hong Kong from 2015 to 2025.

Market size for e-commerce in Hong Kong (2015-2025)



Source: Statista, JLL

5. Overview of Logistics Property Market

5.1 Logistics Property Market

The PRC

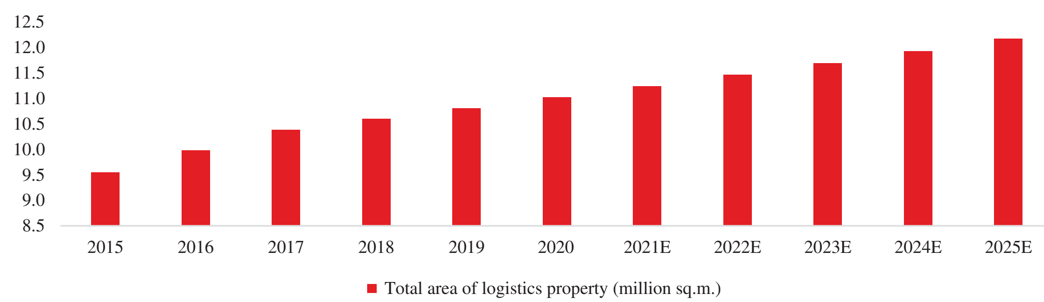
Overview

The logistics property market (storage for common goods) in the PRC has seen great changes since the Reform and Opening-up 40 years ago. From 2001 to 2019, the fix asset investment on logistics property experienced a process of rapid growth and then followed by a decline. Previous drivers for the rapid development faded and it indicates that the warehousing market in the PRC is oversupply has changed from the time of rapid increase to the time of improving stock utility.

As for the market size, the total area of logistics property in the PRC rose with a CAGR of around 2.9% from 2015-2020. Before the emergence of new drivers, it is expected that the total area of logistics property in the PRC will grow with 2020-2025 CAGR at approximately 2.0%.

The chart below sets out total area of logistics property in the PRC from 2015 to 2025.

Total area of logistics property* in the PRC (2015-2025)



Note: * exclude those with special storage such as items that are susceptible to pollution, hazardous article, etc..

Source: China Association of Warehousing and Distribution

Drivers

Before 2015, the rapid expansion of the market was mainly because of the short of logistics properties across the nation and it finally resulted in a large size yet fragment market. In recent years, as extensive growth turning inapplicable, the market has found several new drivers as below:

Industrial concentration. Capital market always seeks for potential investment opportunities, and the logistics property market has become a fine investment in many countries abroad. To mitigate industry chaos and improve operating efficiency, the market would have to take advantages of capital to complete M&A actions.

Demand from new retail (新零售). The concept of "new retail" was proposed by Jack Ma, founder and previous chairman of e-commerce behemoth Alibaba Group in 2016. It generally refers to the integration of digitalisation, online-offline sales channels and the flexible supply chain. Logistics properties, as a matter of course, stand at an important place for its functions of packages dispatching and distributing and stock arranging.

Supply chain consolidation. Logistics property is a crucial factor for supply chain consolidation, which is to reduce types of expenditures in related businesses. So far, internet giants, including JD.com and Alibaba, chose to invest in self-built logistics properties and to build their own standardised system.

Internet propelling. The implements of internet technologies and mega-data analysis are remarkably reforming the logistics property market. Cloud warehouse (雲倉), derived from cloud calculation technology (雲計算技術), enables users to forecast preferences of consumers and to adjust inventories in advance. Its ultimate goal is to automatically figure out the real-time optimal solution for the storage, allocation and restocking occurring in multiple logistics properties.

Key players

Considering the relatively small quantity and low quality, logistics property market in the PRC is now at an phase of fast development. It has few barriers with high degree of marketisation and fierce competition. Generally, there are three main kinds of players in the market, namely logistics property real estate developers and service providers, logistics property tenants and logistics property financing companies.

Especially, SF is one of key logistics property real estate developers and service providers competing with both international and domestic players. Players of this group aim at developing logistics properties for rental income. Benefited from the prosperity of e-commerce, developers have expanded their footprint from tier-1 cities to lower-tier cities. They are the main force for the multidimensional, networked and large-scaling development of logistics property. Representative enterprises include GLP, Prologis (安博), ESR, Blogis (寶灣), Vanke and SF. Moreover, e-commerce giants such as JD.com and Suning have joined this group.

Representative Enterprises (order by cities coverage)	Industry Background	Main Purpose	Geography	Project No. (logistics property for common goods)
SF Express	logistics	for rent	approx. 100 cities, mainly eastern, north-east and south-east of China	113
Company Q	logistics	for rent	89 cities, around high-tier cities	>700
Company R	logistics	for rent	47 cities, relatively balanced around China	142
Company S	logistics	for rent	44 cities, around high-tier cities	57
Company T	real estate	for rent	42 cities, mainly in metropolitan clusters	>300
Company U	3PL/express	for self-use	34 cities, mainly in YRD and central China	63
Company V	e-commerce	for self-use	22 cities, eastern and northern China composite the most	183
Company W	e-commerce	for self-use	18 cities, YRD composites the most	35

Note: Data in the table are as of 2020
Source: Annual reports of companies, JLL

Hong Kong

Overview

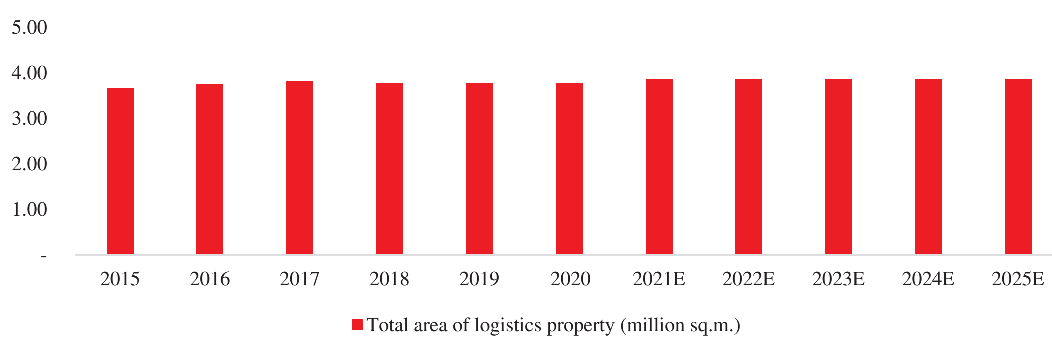
Hong Kong logistics property are scatteredly located in industrial-usage lands or suburban areas. Based on the statistics from Rating and Valuation Department, Over 80% of the stock was in the New Territories, with predominance in Kwai Tsing, Sha Tin and Tsuen Wan which accounted for 69% of the total spaces.

Since the 1990s, because of the lack of land resource, the total stock barely increased and even declined in 2018. No new supply in 2020 while new spaces of 75,800 sq.m. in Tuen Mun is expected to be completed in 2021. The short of supply mismatches Hong Kong's advantages as one of the busiest collecting and distributing centre in the world and to some extent limits the sustainable development of Hong Kong's logistics industry.

The total area of logistics property in Hong Kong rose with a CAGR of around 0.7% from 2015-2020 and it is expected that the total area of logistics property in Hong Kong will grow mildly with 2020-2025 CAGR at approximately 0.4% mainly because of the lack of land resource.

The chart below sets out the total area of the logistics property in Hong Kong from 2015 to 2025.

Total area of logistics property in Hong Kong (2015-2025)



Note: this statistic includes private storage (including premises designed or adapted for use as godowns, or cold stores, and ancillary offices) only

Source: Rating and Valuation Department, JLL

Drivers

Drivers for Hong Kong logistics property market mainly come from the demand increase and project renewal:

Strong storage demand. Hong Kong's storage demand is and will be well supported by trading activities around the world. There is a growing shortage of modern logistics properties in Hong Kong and the PRC. The shortage is primarily attributable to the combination effect of the scarcity of suitable sites in the Greater Bay Area and other prime cities in the PRC, as well as increasing demand from tenants in the logistics, express delivery, e-commerce and cold storage sectors due to their rapid growth as a result of shifting consumer demands globally.

E-commerce growth. The explosive growth of international e-commerce is driving suppliers to locate their sourcing, goods storage, warehousing management and distribution decisions in Hong Kong, creating an urgency for Hong Kong logistics property operators to reshape and diminish the gap between demand and performance.

Logistics property evolution. To fulfil the needs of modern logistics operators, high-quality spaces, such as those provided by modern logistics centres, have emerged in the market. Although the supply of such facilities is far from adequate in Hong Kong, it offers a way of renewal for those outdated logistics properties.

Key players

Compared with the PRC, Hong Kong's logistics property market is relatively concentrated and has a stable competitive landscape. More information on the key players in Hong Kong can be check in below section of "OVERVIEW OF INDIVIDUAL CITY – HONG KONG – Supply".

5.2 Cold Storage Market

The PRC

Cold storage warehouse plays a crucial role in cold chain logistics in the PRC. As the new retail concept and the demand of consumption upgrade emerged, it can be witnessed that the demand for cold storage increase, especially from fresh food supply chain. The ownership of cold storage warehouse is so far a core competitiveness for cold chain enterprises in the PRC.

Below are two features of the cold storage market in the PRC, showing great potentials of the market:

Firstly, the supply of refrigerated warehouse is insufficient and has an uneven distribution. According to Global Cold Chain Alliance (GCCA), the refrigerated warehouse capacity per urban resident in 2018 was around 0.132 cubic metre, below the average of global (approximately 0.2 cubic metre), and has a huge gap with developed countries. As for geographic distribution, around 37.2% refrigerated warehouse located in eastern China (mainly contains the Yangtze River Delta and Zhejiang province), which was the most, followed by around 15.5% in central China (mainly contains Beijing-Tianjin-Hebei Region, Hunan and Hubei provinces).

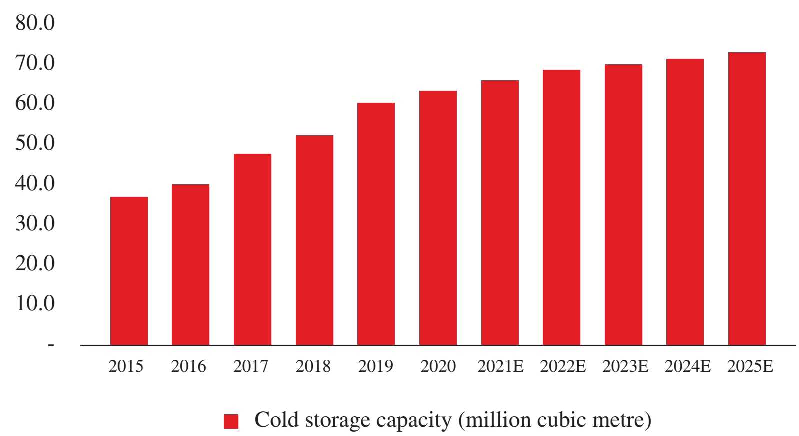
Secondly, the usage of refrigerant is not standardised. Over 96% operator of refrigerated warehouse fails to accept safer, cleaner and more sustainable refrigerant, such as carbon dioxide and the compound of carbon dioxide and ammonia, because of the tremendous initial investment on facilities and daily maintenance[5].

The 2015-2020 CAGR for total capacity of cold storage warehouse in the PRC was approximately 11.4%. It is expected that the total capacity of cold storage warehouse will reach approximately 73.1 million tonnes with 2020-2025 CAGR of 2.8%.

5 Source: JLL Research

The table below sets out the total area of the cold storage warehouse in the PRC from 2015 to 2025.

Total area of cold storage warehouse in the PRC (2015-2025)



Source: Wind, JLL

Hong Kong

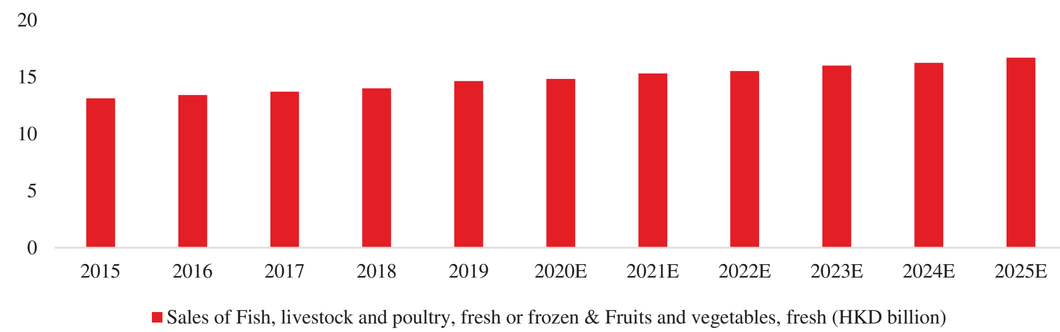
To achieve maximum use of land resource, cold storage warehouse in Hong Kong are commonly built to be multi-storey with large area and large loading capability each storey. The market is therefore capital intensive and is manipulated by few market leaders.

According to the Centre for Food Safety, as at 19th August 2020, there are 66 licensed cold stores around Hong Kong, most of them located at Kwai Chung and Tsing Yi. These contain both for specific use, such as restaurant, and for general retail. According to the Food and Environmental Hygiene Department, the licence application is referred to relevant government departments, including Fire Services Department, Building Department and Planning Department.

The 2015-2020 CAGR for the increase trend of cold storage in Hong Kong was approximately 2.5%. It is estimated that the increase trend for cold storage in Hong Kong will be with 2020-2025 CAGR at approximately 2.4%.

The chart below sets out relevant data showing the increase trend for cold storage in Hong Kong from 2015 to 2025.

Increase trend* for cold storage market in Hong Kong (2015-2025)



Note: * the increase trend is represented by the sales of fresh food
Source: Census and Statistics Department of Hong Kong, JLL

Currently, Chevalier, CR Logistics, Kerry and Brilliant make up the majority of commercial cold storage warehouse market. After the acquisition of HAVI Group's cold chain business in Hong Kong, SF Holding has become one of key players. The HAVI Group has almost 40 years of supply chain management experience in cold chain operations and has one logistic centre in Hong Kong.

6. Overview of 3PL and Express Delivery Market

Express delivery is a professional branch of 3PL. It has evolved to be one of the most important fields of logistics industry because of its crucial functions on supporting a range of industries, especially e-commerce. It commonly refers to a door-to-door, small-size and individual parcel delivery service with fast delivery time. Express delivery is a representative for the model change of logistics from B2B (Business to Business) to B2C (Business to Client). It has evolved to be one of the most important fields of logistics industry because of its crucial functions on supporting a range of industries, especially e-commerce. As a pillar for the modern service industry, express delivery has features of containing enormous employment, high economic value-added and technology-intensive orientation.

The PRC

According to China Federation of Logistics and Purchasing (中國物流與採購聯合會) and Wind, from 2015 to 2019, the total revenue of 3PL increased from RMB1,020.2 billion (USD61.0 billion) to RMB1,531.9 billion (USD203.2 billion), with CAGR of approximately 10.7%. The number ranked second behind the U.S..

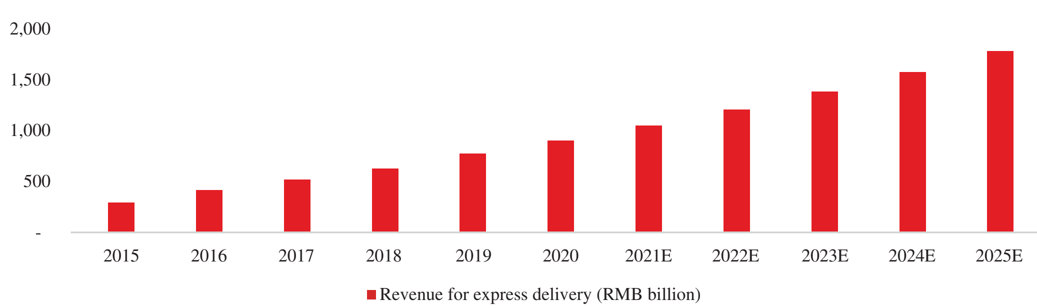
On the other hand, express delivery stands as a pilot driver for the sustainable development of the PRC. In 2017, the State Post Bureau published the 13th Five-year Development Plan for Express Delivery Industry (快遞業發展"十三五"規劃), which proposed the service to cover the most area of the country and to connect with the globe by the end of 2020, with the business volume estimated to reach around 70 billion pieces.

In fact, the development of express delivery went far beyond the expectation. According to the State Post Bureau, from 2015 to 2020, the business volume of express delivery in the PRC raised with a CAGR of approximately 32.2%, and the total revenue raised from RMB277.0 billion to RMB875.0 billion, with a CAGR of approximately 25.9%.

The market has converted from extensive growth to healthy expansion. Considering the relatively stable growth of third-party logistics and the increasing proportion of express delivery, it is estimated that the total revenue of express delivery would increase steadily with 2020-2025 CAGR at approximately 14.6%.

The chart below sets out relevant data showing the revenue for express delivery in the PRC from 2015-2025.

Revenue for express delivery in the PRC (2015-2025)



Source: China Federation of Logistics and Purchasing, State Post Bureau, National Bureau of Statistics, Wind, JLL

Among all 3PL operation modes, there are three main 3PL operation modes in the PRC including traditional outsourcing logistics operation mode, strategic alliance logistics operation mode and comprehensive logistics operation mode.

In terms of the attributes of the company, the operators are classified into four different types: state-owned company, private company, company spun off from large corporation and foreign company. Especially, express delivery in the PRC is highly concentrated, and private companies are currently dominating the market. Based on the State Post Bureau of the PRC (國家郵政局), the concentration rate of Top 5 express delivery company in terms of the express business volume achieved around 75% as of 2020.

The table below sets out the ranking of top 5 listed express delivery companies. Based on this ranking, SFH is a leading integrated logistics services provider in China. Founded in 1993, SFH is one of the earliest express delivery companies in China and has grown into a leading logistics player with the best performance on time-definite parcel service in 2020, according to the State Post Bureau. Specifically, SFH is the largest express delivery company in the PRC in terms of total revenue in 2020.

Top 5 express delivery company in terms of the total revenue in 2020

Ranking	Company	Total revenue *(RMB billion)*
1	SF Express	154.0
2	Company A	35.4
3	Company B	34.8
4	Company C	30.0
5	Company D	28.3

Note: Company names are for identification only.
Source: State Post Bureau of the PRC, JLL

Furthermore, SFH is also the 4th largest postal and express delivery companies in the globe in 2020.

Top 5 postal and express delivery company in terms of the total revenue in the globe in 2020

Ranking	Company	Total revenue *(RMB billion)*
1	Company E	552.6
2	Company F	533.1
3	Company G	451.9
4	SF Express	154.0
5	Company H	105.8

Note: Company names for identification only
Source: Wind, JLL

The tables below set out the advantages and shortcomings of these four types of operators and the ranking of 7 listed express delivery companies.

3PL operators with different company types

Company type		Advantages	Shortcomings	Representative companies
Traditional state-owned company upgrade to 3PL company		• Owning national network • Large amount of transportation and warehousing assets	• Low efficiency • Paying less attention to the customers. • Poor customer services	China Shipping Logistics, China Post Logistics
New private 3PL company	Express company on merchandise mode	• Relatively concentrated business regions and customers	• Fewer assets • Weak expansion	YTO Express, ZTO Express, STO Express, Best Express, Yunda Express
	Express company on self-operating mode	• Higher efficiency • High-controlled on network	• Heavy assets	SF Express
Spin-off company of large corporation		• Customers from previous corporation • Professional service quality	• Weak expansion • Easy to be affected by previous corporation	Tiandihuayu, JD Logistics, Cainiao Logistics
Foreign 3PL company		• Owning oversea networks • A wealth of knowledge and operating experience • Good relationship with international customers	• Lack of national network • Limited business volume and higher cost	DHL Freight, Sinker, and Kerry EAS

Source: JLL

The table below sets out examples of market price for 3PL and express delivery service of general purpose in the PRC.

Market price for Key 3PL service and express delivery in the PRC

Business Category	Representatives operators	Weight (kg)	Distance (km)	Time Level	Price per kg*Distance (RMB*10^{-3})	Pricing factors
Full Truck Loading	Company X	5,000	1,212 (Beijing-Shanghai)	Economical (5 Days)	1.39	• Distance • Time level
				Fast (3 Days)	1.69	
		10,000		Economical (5 Days)	1.39	
				Fast (3 Days)	1.69	
		5,000	2,135 (Beijing-Guangzhou)	Economical (5 Days)	1.02	
				Fast (3 Days)	1.19	
Less Truck Loading	Company X	100	1,212 (Beijing-Shanghai)	Economical (4 Days)	1.77	• Distance • Time level
		200		Economical (4 Days)	1.77	
		100	2,135 (Beijing-Guangzhou)	Economical (4 Days)	1.30	
		100		On Time (3 Days)	1.48	
	SF Express	100	1,212 (Beijing-Shanghai)	Economical (3 Days)	2.24	• Weight • Distance • Time level
		200		Economical (3 Days)	1.98	
		100	2,135 (Beijing-Guangzhou)	Economical (4 Days)	1.70	
Express delivery	SF Express	10	1,212 (Beijing-Shanghai)	Instant (1-2 Day)	9.32	• Weight • Distance • Time level
				Economical (2-3 Days)	5.20	
		5		Instant (1-2 Day)	10.40	
				Economical (2-3 Days)	6.27	
		10	2,135 (Beijing-Guangzhou)	In time (1-2 Days)	6.98	
				Economical (2-3 Days)	3.79	
	Company Y	10	1,212 (Beijing-Shanghai)	Economical (2 Days)	8.66	• Weight • Distance
		5		Economical (2 Days)	9.08	
		10	2,135 (Beijing-Guangzhou)	Economical (3 Days)	4.92	
		5		Economical (3 Days)	5.15	

Source: JLL

Hong Kong

The logistics industry has been the traditional pillar industry in Hong Kong. Therefore, Hong Kong's 3PL and express delivery industries started earlier than that in the PRC. In recent years, with the gradual development of logistics industry, many local and foreign operators started to establish regional distribution centres in Hong Kong to take advantage of Hong Kong's convenient and accessible external transportation network including international airports and free ports.

The top 3PL providers in Hong Kong include JSI Logistics, Kerry Logistics, Omni Logistics, etc.. Most of them provide a series of 3PL services, such as Business-to-Business (B2B), Business-to-Customer (B2C), regional express and logistics fulfilment solution.

The table below sets out examples of market price for express delivery service of general purpose in Hong Kong.

Representatives operators	Weight (kg)	Distance (km)	Time Level	Price per kg (HKD)	Pricing factors
SF Express	5	Local	Common (2 Days)	15.6	• Weight
	10	Local	Common (2 Days)	13.8	
	20	Local	Common (2 Days)	12.9	
	500	Local	Common (2 Days)	12.0	
Company Z	10	Local (Area I)	Common (1 Day)	18	• Distance
	10	Local (Area II)	Common (1 Day)	22	
Company I	1	Local	Common (0.5-1 Day)	40	• Weight
	5	Local	Common (0.5-1 Day)	17.6	• Payment method
	10	Local	Common (0.5-1 Day)	14.8	
	Monthly paid	Local	Common (0.5-1 Day)	14.5-22	• Time level
	1	Local	Fast (3 hours)	150	
	5	Local	Fast (3 hours)	30	
	10	Local	Fast (3 hours)	35	

Source: JLL

7. Overview of E-Commerce Logistics Market

E-commerce (electronic commerce) is the activity of electronically buying or selling products on online services platforms. A typical e-commerce system consists of online-shop (containing payment methods), products, online-shoppers and logistics. The e-commerce sector and retailing industry evolve rapidly with technological updates changes in user preferences, product innovation and the availability, reliability and security of e-commerce platforms.

The PRC

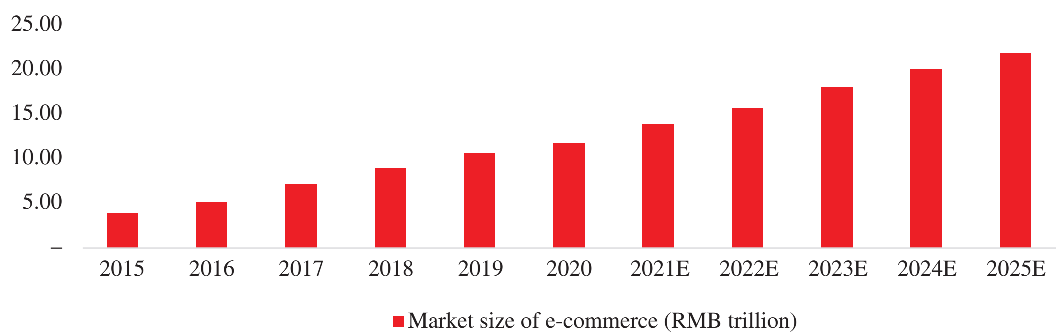
With over 900 million internet users, the PRC is the fast-growing and largest e-commerce market in the world. E-commerce sale of the PRC was the largest globally, accounted for around 44.9% of the world's e-commerce sales and exceeded more than twice of those of the US in 2019.

Chinese consumers have considerably changed their consumption behaviours as e-commerce gradually become a mainstream channel for daily consumption. For example, many customers do online-shopping for products that they cannot (or not easily) find in physical stores. It also can be observed that non-experimental consumption in physical shops reduces, but the total consumption grows, benefiting from the convenience of online shopping.

During 2015-2020, e-commerce grew rapidly at a CAGR of 24.8%. Outbreak of COVID-19 pandemic in 2020 inevitably affected the various industries, on the other hand benefited e-commerce industry as consumer increased online purchasing for grocery goods, fresh food etc. Considering a relatively large volume base in 2020 comparing with 2015, the volume of e-commerce is estimated to increase steadily with 2020-2025 CAGR at approximately 13.2%.

The chart below sets out the total volume of e-commerce in the PRC from 2015 to 2025.

Market size of e-commerce* in the PRC (2015-2025)



Note:

* the market size is represented by total volume of online retail

Source: Wind, JLL

Generally speaking, e-commerce in the PRC started at the late 1990s when Alibaba.com, the current largest e-commerce company in the PRC, was established. During this period of more than 20 years, the e-commerce logistics experienced five phases of development. Each phase was accompanied with a huge leap on logistics infrastructures and in the fifth phase, where the industry is right now, the competition has shifted from physical to internet.

Broadly speaking, the success of e-commerce in the PRC relies on the strong production capacity, the growth of middle class group, the comprehensive logistics infrastructure and the mature online payment system. Consumer has been educated step by step in the last two decades to accept and get used to the online shopping habit. The outbreak of COVID-19 pandemic in 2020 inevitably shocked the industry but also further increase consumer's dependence on e-commerce platforms. According to a survey on Chinese online shopping behaviour conducted by Rakuten Insight in May 2020, 95 percent of the respondents aged between 25 and 34 years who had purchased online more frequently during the pandemic said they would continue to do so after businesses are open and social distancing measures are lifted. Some sections of e-commerce were clashed while more sections emerged and enhanced. Penetration rate of e-commerce on daily shopping demand is expected moving up to a new level.

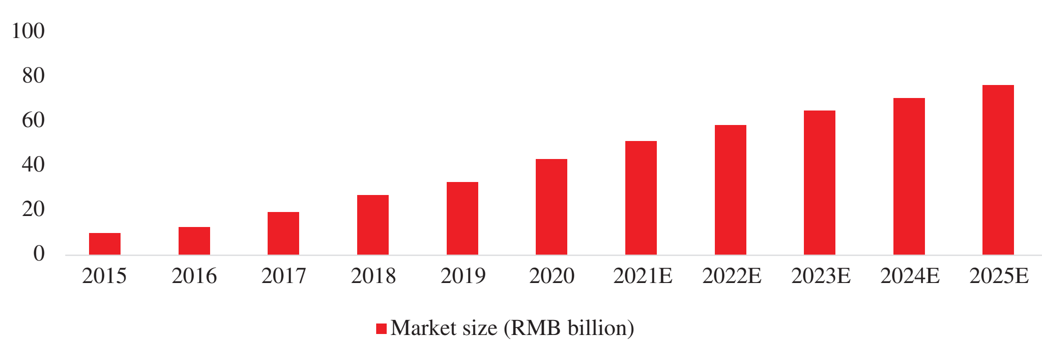
Hong Kong

E-commerce emerged in Hong Kong earlier than in the PRC and it developed in a quite different way. HKTV Mall, once the most popular TV shop, has become one of the largest local e-commerce platforms in Hong Kong. Global e-commerce giants such as eBay and Amazon have considerable contracted online stores physically operated in Hong Kong. They have built their reputations in Hong Kong that potential buyers having queries from all over the world can at most time get instant replies even at midnight and enjoy well experience from after-sales services. Another advantage is that e-commerce retailers can save great taxes and transportation expenses when doing businesses in Hong Kong.

The market size for e-commerce increased with a CAGR of 34.2% during 2015-2020. Considering a relatively large volume base in 2020 comparing with 2015, market size of Hong Kong is expected to rise steadily to approximately RMB76.4 billion in 2025, representing 2020-2025 CAGR at approximately 12.0%.

The chart below sets out demand trend for e-commerce in Hong Kong from 2015 to 2025.

Market size for e-commerce in Hong Kong (2015-2025)



Source: Statista, JLL

However, as a gateway to the PRC, the region is still strategically important for e-commerce brands from both the PRC and abroad to expand or strengthen their global market positions.

Currently, Alibaba and JD.com, the two e-commerce leaders in the PRC, are sparing efforts on accessing Hong Kong's market and further to overseas market, and are challenging the local positions of traditional companies, including HKTV Mall, Amazon, eBay, Zalora, ASOS, Farfetch, etc.. Specifically, Hong Kong is the first station for China e-commerce giants to extend their business from domestic-concentrated to cross-border. For export, these e-commerce players are keen to have business presence in Hong Kong where has a reliable business image and an excellent international connectivity. For import, Chinese consumers recently have stronger buying demands on global commodities that most e-commerce companies have sensed the trend. Hong Kong is crucial for transporting global commodities into the mainland legally as well as remaining a relatively low price.

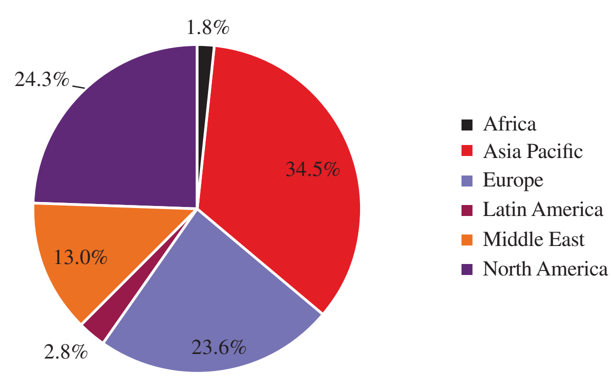
8. Overview of Other Logistics Market

8.1 Air Freight

According to IATA (International Air Transport Association), in 2020 the Asia Pacific region accounted for the largest proportion of total air cargo, sharing 32.8% of the total volume, followed by North America and Europe.

The chart below sets out the distribution of global air cargo in 2020.

The distribution of global air cargo (2020)



Source: IATA, JLL

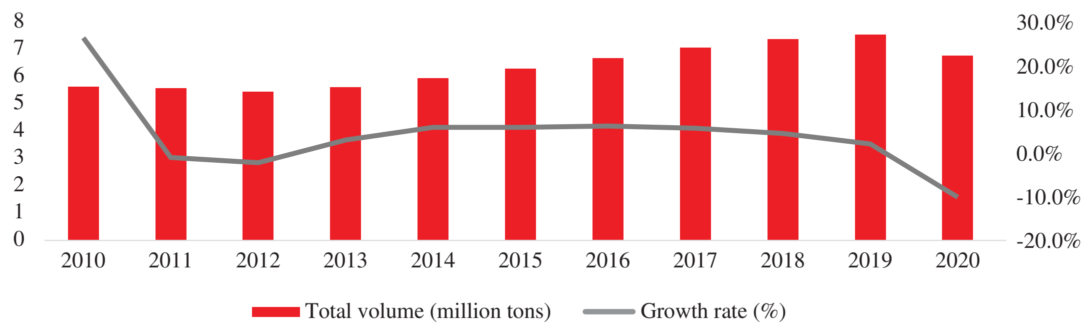
The PRC

With the development of manufacturing industry and cross-border e-commerce, the export volume increased rapidly in recent years, promoting the growth of total air cargo volume.

According to the Civil Aviation Administration of China, the total air cargo volume of the PRC grew steadily from 6.29 million tons in 2015 to 6.77 million tons in 2020 with a CAGR of 1.5%.

The chart below sets out total air cargo volume of the PRC from 2010 to 2020.

Total air cargo volume of the PRC (2010-2020)



Source: Civil Aviation Administration of China, JLL

According to World Bank, in terms of the volume of air transport in 2018 and 2019, China ranked second largest country in the world, and occupied 12.3% of the global total air cargo volume in 2019.

2019 Countries Rank of the volume of air transport

Rank	Country
1	USA
2	PRC
3	Canada
4	UK
5	India
6	Japan
7	Indonesia
8	Ireland
9	Germany
10	Russia

Source: World Bank

However, the annual growth rate has larger drop in recent two years mainly due to the trade tensions between China and the US. The International Air Transport Association has recorded the downward of global air cargo volume for months, in the three months to July 2020 the global industry-wide cargo tonne-kilometres decreased 16.6% compared with the same period last year, the downward trend is probably remain.

Hong Kong

Since 2010, Hong Kong has ranked the city with the highest air cargo volume in the world for 10 consecutive years. Based on the statistics published by Hong Kong Maritime and Port Board, from 2010 to 2019, the total air cargo volume of Hong Kong increased at a CAGR of 1.7% from 4.13 million tons to 4.81 million tons, sharing almost 7.7% of the global air cargo market. This growth was mainly driven by the increasing air cargo import and re-export volume of products manufactured in the PRC as the air trade with the PRC occupied 17.8% of total air trade volume of Hong Kong, and the rising import and re-export activity stimulated by the initial development of cross-border e-commerce industry in the PRC.

However, the annual growth rate bottomed out in 2019 possibly because of the turbulence in Hong Kong society. It is expected that with the economy recovery and the consumption levels increase, Hong Kong air cargo volume would possibly return to have a stable development in the near future.

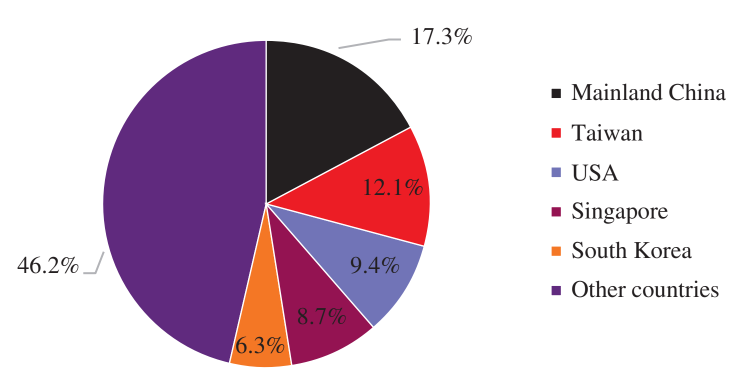
2019 Cities rank of air cargo traffic

Rank	City	Country	Air Cargo Traffic *(million tonnes)*
1	Hong Kong	PRC	4.81
2	Memphis	USA	4.32
3	Shanghai	PRC	3.63
4	Louisville	USA	2.79
5	Incheon	South Korea	2.76

Source: Airports Council International

The chart below sets out the proportion of air trade volume between Hong Kong and top 5 countries/regions to Hong Kong's total trade volume in 2020.

The proportion of air trade volume with top 5 countries/regions to total trade volume of Hong Kong (2020)



Source: Hong Kong External Merchandise Trade

8.2 Cold Chain Logistics

Cold chain logistics includes all the means used to ensure a constant temperature for a product that is not heat stable, from the time it is manufactured until the time it is used. An unbroken cold chain is an uninterrupted series of refrigerated production, storage and distribution activities, along with associated equipment and logistics, which maintain a desired low-temperature range.

The PRC

Comparing with that in developed western countries, the development of cold chain logistics in the PRC is now at an early stage. This can be represented in several features. Firstly, the total supply of cold chain facilities is insufficient and has an uneven distribution, example can be seen from the development of cold storage market mentioned above.

Secondly, the concentration rate of the logistics industry is relatively low so that players can hardly derive benefits from economies of scale. According to the China Federation of Logistics & Purchasing (中國物流與採購聯合會), the top 10 cold chain logistics players accounts for less than 5% market shares while the top 100 accounts for only around 10%. The immature of cold chain logistics in the PRC also denotes future opportunities for the industry. First, demand for cold chain facilities raised from a wide range of fields and it increases so rapid that presents an obvious supply gap. For the second, automation and intelligentisation are two keys for the industry to breakthrough. For the third, the national government has attached its importance on the industry and is supposed to propose supporting policies on increasing industrial land supply for cold chain facilities.

Under this context, it is estimated that the 2015-2020 CAGR of cold chain in the PRC was approximately 21.0% and the 2020-2025 CAGR will be approximately 8.6%.

Hong Kong

With a history of over 40 years, the cold chain industry in Hong Kong has made remarkable development. Most of Hong Kong's cold chain logistics enterprises are originated from traditional logistics or consolidated with each other. Unlike that in the PRC, the cold chain industry in Hong Kong is concentrated to a high degree. It is not only because of the limited land resource for cold chain facilities which cause high barrier of funding, but also the strong capacity of market leaders to integrate the whole industry chain.

In August 2018 and February 2019, SF Holding completed the acquisition of cold chain business in the PRC, Hong Kong China and Macau China from the U.S. HAVI Group and the acquisition of supply chain. This investment helped SF, as a group, to be one of market leaders in cold chain industry and might be beneficial to build up its own cold chain business in the future.

8.3 International Parcels

Cross-border parcels business refers to a parcel delivery in which the parcel is picked from one country or region and delivered to an address in another country or region. Among the global cross-border parcels in 2018, the postal service took over 70% of the deliveries. These cross-border packages are mainly clothing, consumer electronics, health and beauty products, and 72% of the packages are lighter than 1 kilogramme.

China is an important participant in the global cross-border parcel delivery market. According to State Post Bureau, in 2018, China occupied 38% of the global cross-border parcels market.

8.4 Inter-city delivery

Inter-city logistics refers to the logistics service that occur between two or more cities or the delivery from one city to another. It could be divided into urban logistics which is serving for the city and its surrounding area, and regional logistics which is focusing on the logistics service in the whole region. Overall speaking, inter-city logistics has three key features as locality, short distance and large amount.

The main participants of inter-city logistics include goods supply enterprises, transportation enterprises, consumers and local governments. In the inter-city logistics, transportation enterprises take logistics facilities including logistics park and distribution centre as nodes, and deliver goods to the consumers through roads, railway. Meanwhile, inter-city logistics can integrate logistics activities such as transportation, storage, loading and unloading as well as packaging and processing.

The national government supports the overall development of logistics industry including inter-city logistics. Besides, the government would issue several policies to regulate different segments of logistics service, and plan the coordinated development of logistics with related industries. In some regions, especially those with developed logistics industry, the local governments have put forward relevant policies to promote the development of inter-city logistics in the region.

8.5 Intra-city on-demand delivery

Intra-city on-demand delivery is a kind of logistics mode with excellent flexibility to cope with urgent logistics requirements (commonly within short distance, i.e. 3 kilometre) which can be raised by customers at any time of the day. It provides door-to-door delivery services without storage and commonly completed within an hour for short distance or a day for city-wide delivery. The most significant feature of such business is to react to orders instantly and complete logistics tasks just on time and it requires the company to have a sufficient transport capability and network.

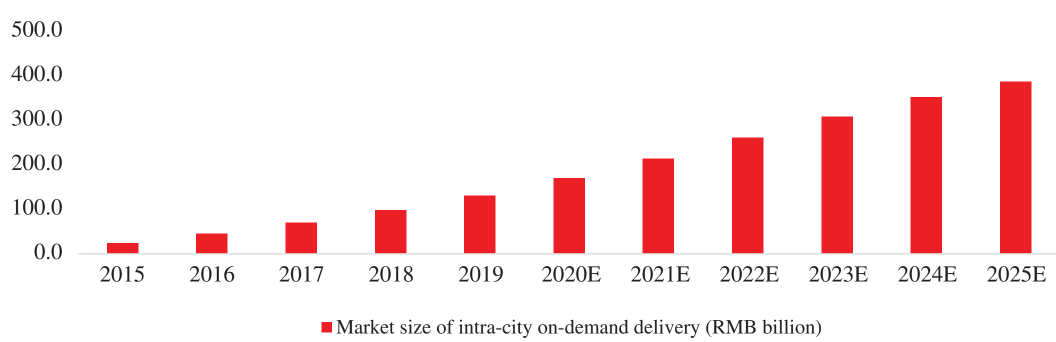
The PRC

The concept of intra-city on-demand delivery in the PRC emerged roughly in 2009 and was firstly refined by the founder of Dianwoda, a pioneer company in this field. In around 2016, the concept spread widely because of the rise of two internet service platforms giants, Meituan and Ele.me. The two giants focus on the O2O (online to offline) businesses of meal takeaways and running errands for buying small-size commodities, which raise enormous demand of intra-city on-demand delivery.

According to iResearch, the size of the market reached approximately RMB170.1 billion in 2020, with a CAGR of approximately 47.9% during the period of 2015-2020. It is expected that market size of intra-city on-demand delivery in the PRC will reach approximately RMB386.9 billion in 2025 with 2020-2025 CAGR of 17.9%.

The chart below sets out market size of intra-city on-demand delivery in the PRC from 2015 to 2025.

Market size of intra-city on-demand delivery in the PRC (2015-2025)



Source: iResearch, Wind, JLL

From 2008 till now, the development of intra-city on-demand delivery in the PRC experienced three phases of development. SF, as one of traditional logistics company, get in the industry in the second phase (2014-2018) when there were numerous of M&A events and the industry enjoyed a dramatic growth with a CAGR as high as 72.8%. After

2018, the industry came to a phase of maturity, showed by the oligopolistic competition and a slowdown on annual growth rate. In 2020, the outbreak of COVID-19 and the lockdown policies in a short run promoted the penetration rate of intra-city on-demand industry.

It is expected that the evolution of e-commerce will become the next key driver for the industry. New retail, for example, will contribute to further improve the penetration rate of e-commerce so that the reliance on intra-city on-demand industry will accordingly be enhanced.

Hong Kong

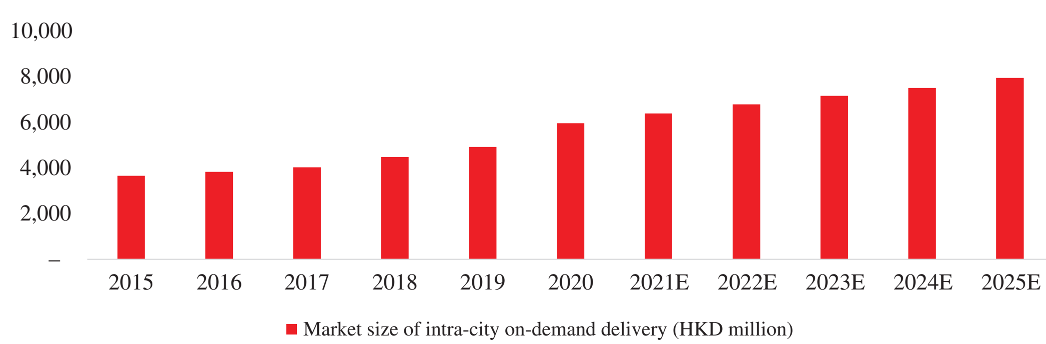
Hong Kong's intra-city on-demand delivery industry can be generally divided into two parts. One of them is same-day delivery & courier services provided by a number of 3PL enterprises, such as DHL, or retailers, such as HKTVmall and Walmart. The other and largest one lies on the online food and grocery delivery rose roughly at the same time as that in the PRC in 2016.

According to Statista, revenue in the online food delivery segment in Hong Kong reached HKD5,982 million in 2020. Representative players include international companies such as Foodpanda, Deliveroo and Uber EATS. Besides, the online grocery delivery is growing rapidly during the COVID-19 as many people are cooped up at home. HKTVmall, ParknShop, Jou Sun, Food Monster are some of the active players in this field.

The 2015-2020 CAGR of Hong Kong's intra-city on-demand delivery was 10.3% and it is estimated that market size of intra-city on-demand delivery in Hong Kong will increase with a 2020-2025 CAGR of approximately 5.9%.

The chart below sets out market size of intra-city on-demand delivery in Hong Kong from 2015 to 2025.

Market size of intra-city on-demand delivery* in Hong Kong (2015-2025)



Note:

* is represented by online-food delivery

Source: Statista, JLL

8.6 Supply Chain Logistics

The supply chain logistics is the advanced form of traditional logistics. It shares several common features with traditional logistics yet is quite different on business concept and operation details. Specifically, both logistics modes cover and focus on every step along with product circulation, including packaging, transiting, storing, dispatching and distributing. Both of them would consider the characteristics of the product, such as temperature requirements and fragility, to decide and arrange proper methods for better completion of logistics tasks.

However, to understand supply chain logistics, one should stand out to see the whole supply chain originating from the production to the ultimate consumption. For traditional logistics, a logistics task starts when the commodity is handed over from upstream, such as manufacturers or e-commerce retailers, and ends when the commodity is delivered to downstream, such as retail shops, or end users. During this process, logistics enterprises are isolated from the production and sales activities. They would have to figure out their own ways on reducing logistics fix costs as the logistics activities can hardly bring about added value. It leads to a consequence that traditional logistics enterprises spend the most of efforts on cost-saving and become less sensitive on the changes of either upstream or downstream. Their services turn out to be homogeneous and they might find plenty of difficulties to guarantee service quality.

At present, large-scale companies pioneer to adopt supply chain logistics for their businesses. DELL, for example, initiated the DELL mode of supply chain logistics, which is driven by the orders. Consumers would need to wait for a few days to get the product they buy as DELL only arranges its production and logistics after receiving the requests. E-commerce giants in the PRC, such as Alibaba and JD, are now endeavouring on the other mode of supply chain logistics, namely smart logistics which is able to forecast the demand change of client and adjust the supply chain activities in time so that customers will have a short waiting time.

According to the definition and anticipation of supply chain logistics, Hong Kong now has a logistics development closer to the form of supply chain logistics, than the PRC. It is probably because of the competitive landscape (dominated by large-scale listed companies who involve in a wide range of businesses), the lack of land resource (requiring for extreme efficiency and quick reactions to the market) and the root of modern logistics concepts.

MODERN LOGISTICS PROPERTY INDUSTRY

1. Overview

1.1 In APAC

Asia Pacific's positive macro and socio-economic fundamentals have been shaping its industrial and logistics sectors. The Asia Pacific economy is slated to remain the fastest-growing region in the world with its strong population growth, rapid urbanisation and emerging middle class. Complementing these positive underlying macro drivers are structural shifts in the industrial and retail sectors, and the continual advancement in technology and automation.

The logistics sub-market in particular is expected to be a key growth driver for APAC, given the expansion of the 3PL industry and the growth of e-commerce platforms. A number of Asia Pacific logistics markets have performed well, with performance on a par with markets in Europe and the United States.

Differing market performances reflect the diversity in scale and maturity across the region. China is one of largest markets in the Asia Pacific. Further rapid growth in the Asia Pacific industrial market is anticipated, backed by positive underlying industry and macro fundamentals.

1.2 In the PRC

The 2010s saw China's mushrooming middle class and spending on consumer goods spawn sharp increases in companies' requirements for modern storage and speedy distribution. In many major cities, modern logistics property developers could barely build fast enough to keep up with demand.

Throughout our analysis, we find that three key themes are likely to play a crucial role in shaping China's logistics property market over the next ten years:

Self-used demand. China's consumer market continues to grow, making up for slightly slower growth rates with sheer size. The COVID-19 outbreak may have a short-term impact, but China's consumer story is a long-term trend that will continue despite such shocks. As consumer trends evolve, investors and operators must adapt to changes in how retail sales manifest as logistics property demand.

Metropolitan clusters. China's push to develop city clusters will increasingly determine where consumers concentrate and where developers and investors should focus their attention. Areas like the Yangtze River Delta (YRD), GBA, Beijing-Tianjin-Hebei (also called Jing-Jin-Ji, or JJJ for short), and Chengdu-Chongqing (also called Chengyu) have done well over the past decade. However, the government's ambitious plans to foster the growth of city clusters will supercharge these regions while potentially supporting the emergence of new ones as well.

The most important clusters currently include the YRD, the GBA, the JJJ, and the Chengyu. Other regional integration initiatives are underway and are likely to lead to the emergence of new opportunities for regional distribution in the years ahead.

The top city clusters stand at the leading edge of what is possible with logistics properties and distribution, especially at the regional level. The most centrally located cities in these clusters can reach over 25 million consumers in a two-hour drive, and the tightly packed urban areas of the YRD and GBA allow some cities (and the logistics properties in them) to access up to 60 million people. At the same time, immense investments in transport infrastructure (notably expressways) are laying the groundwork for ever-more efficient distribution across the clusters.

One of the biggest beneficiaries of these trends will be satellite markets: logistics property markets that are growing in small cities just outside of major urban centres. The most competitive satellite markets occupy advantageous locations with quick access to both their clusters' biggest cities and other major markets, making them ideal locations for regional distribution centres that can reach consumers throughout each cluster.

Technology application. Technology will play a decisive role as users maximise efficiency by making the best use of the highest-quality logistics property space available. This trend will drive occupiers in China's vast network of low-quality logistics properties to consider upgrading to prime properties. There also will be higher requirements for equipping logistics properties for automation, cold chain, and other high-tech uses, and operators, in turn, must future-proof their assets to cater to these needs.

To this list, we can potentially add the recent outbreak of COVID-19. The pandemic and containment effort highlighted the critical role of logistics properties in China's society and economy. As the outbreak recedes, we expect governments and firms to continue upgrading the logistics sector, with particular upside potential for supply chains and warehousing handling fresh foods, pharmaceuticals, and other essential goods.

(a) Greater Bay Area

GBA includes nine cities in the Pearl River Delta, Guangdong province, plus Hong Kong and Macau. At the end of 2020, the Greater Bay Area achieved a nominal GDP of approximately RMB11,407.6 billion with 2015-2020 CAGR of approximately 5.9%. In terms of the regional development, GBA has leapt to be one of the most important logistics property markets in China. The region has a top rank on the non-bonded market capacity, freight volume, highway construction, degree of openness and efficiency of clearance. From 2015 to 2020, the total population of Greater Bay Area increased from approximately 66.6 million to approximately 74.1 million with a CAGR of 2.1%, and it is estimated that the number will further grow to be around 81.8 million in 2025 with a 2020-2025 CAGR of 2.0%.

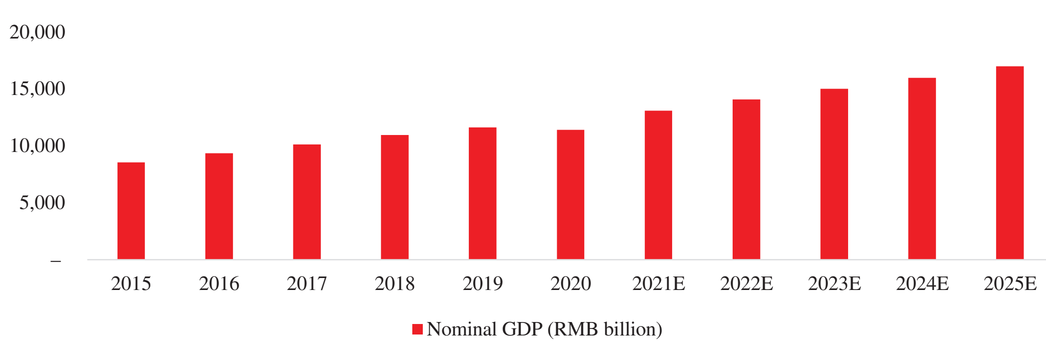
In 2018, the 13th National People's Congress (十三屆全國人民代表大會) promoted accelerating the construction of the Greater Bay Area. Recent landmark infrastructure such as the Shenzhen-Zhongshan Aisle (深中通道), the Hong Kong-Zhuhai-Macau Bridge (港珠澳大橋), the Huizhou Airport and the Pearl River Delta International Airport (珠三角新幹線機場) would further promote the economic synergy and industrial upgrade of the urban cluster as well as reduce the travelling time in the Greater Bay Area.

In February 2019, the State Council officially published the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區發展規劃綱要), which highlighted the mission on improving the interconnection within Greater Bay Area through initiatives including enhancing the global logistics position of Hong Kong, constructing the cluster of world class airports, improving the land transport system and so on. It raised the investment confidence and improved the development prospects of the area. Leverage on the existing infrastructure, the Greater Bay Area aims to achieve integration of the cities into a "one-hour living circle", thus the logistics demand in the region is expected to increase.

Generally, logistics property market in GBA performed well that major cities enjoy a low level of vacancy rate in recent years. Affected by the COVID-19, the rental demand for modern logistics property in GBA saw a rapid increase. For the long term, manufacturing industry, 3PL and e-commerce will remain to be key drivers for the logistics demands in this district. Nominal GDP of Greater Bay Area is expected to grow at a CAGR of around 8.3% during 2020-2025.

The table below sets out selected economic statistics of Greater Bay Area for the years indicated.

Selected economic statistics of Greater Bay Area (2015-2025)



Source: Bureau of each city, Wind, EIU, JLL *(b) Yangtze River Delta*

The Yangtze River Delta Economic Region refers to an officially designated core area that includes Shanghai municipality and parts of Jiangsu, Zhejiang, and Anhui provinces. It is located along the east coast of the PRC and is one of the most densely populated areas in the PRC. In 2016, the State Council issued the Development Plan of Urban Agglomeration in the Yangtze River Delta (長江三角洲城市群發展規劃), containing 26 cities in Shanghai, Jiangsu, Zhejiang and Anhui provinces. In 2018, the Regional Integrated Development of the Yangtze River Delta (長江三角洲區域壹體化發展) rose to become a national strategy. In 2019, the State Council further introduced the Outline of Regional Integrated Development of the Yangtze River Delta (長江三角洲區域一體化發展規劃綱要), pursuant to which Wuhu city is one of 27 core areas in the region.

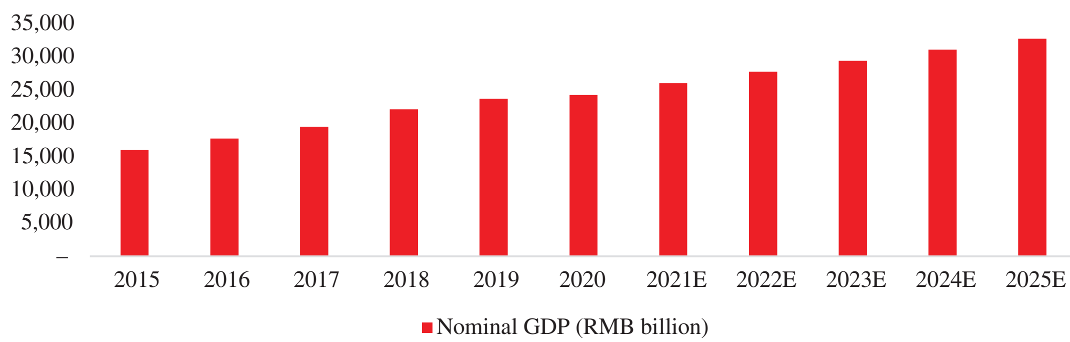
As one of the essential strategic megalopolises, Yangtze River Delta Economic Region has enjoyed the most dynamic economic growth. Yangtze River Delta Economic Region's nominal GDP grew to RMB24,290.0 billion at the end of 2020 with a 2015-2020 CAGR of approximately 8.7%, sharing 23.9% of total nominal GDP of the PRC. From 2015 to 2020, the total population of Yangtze River Delta increased from approximately 221.3 million to approximately 227.3 million with a CAGR of 0.5%, and it is estimated that the number will further grow to be around 229.1 million in 2025 with a 2020-2025 CAGR of 0.2%.

Yangtze River Delta has the largest logistics property market in China benefited from its comprehensive transportation system and the cluster of e-commerce and modern logistics industries. Current e-commerce giants, including Alibaba and JD, and logistics giants, including STO, ZTO and YTO, are based on the region for years and succeed to make the region with the lowest logistics cost in China. Therefore, developers of logistics real estate strive hard to obtain higher market shares in this district. Taking GLP as an example, the enterprise has distributed dozens of logistics parks in Yangtze River Delta.

In the future, logistics real estate in Yangtze River Delta will be greatly influenced by the Outline of Integration Development Plan for Yangtze River Delta (長江三角洲區域一體化發展規劃綱要) in 2019. The document was proposed to deal with the challenges mentioned above, mainly by restructuring the regional industrial elements so that provinces and cities in this region can make good use of each advantage. Nominal GDP of Yangtze River Delta Economic Region is expected to grow at a CAGR of around 6.2% during 2020-2025, according to the Economist Intelligence Unit.

The table below sets out selected economic statistics of Yangtze River Delta for the years indicated.

Selected economic statistics of Yangtze River Delta (2015-2025)



Source: Bureau of each city, Wind, EIU, JLL

2. Specification on Modern Logistics Property

In terms of building characteristics and operating concept, the logistics property market can be divided into segments of modern logistics property and non-modern logistics property. Tenants for logistics properties can typically have lease terms range from 1 to 10 years, which are longer than typical office building leases that range from 1 to 5 years. Longer lease nature brings more "visibility" to future rental income. Before leasing the property, tenants for logistics properties have generally done market studies regarding sites' connectivity, proximity to expressways and etc. Moreover, tenants for logistics properties, especially those with large rental area and customised requirements, generally require high initial setup and moving costs before officially using the properties. As such, this may result in longer lease terms, and tenants for logistics properties, therefore, appear to be stickier from such perspectives.

There are both similarities and differences of the definition of modern logistics property between the PRC and Hong Kong. For similarities, modern logistics properties in both regions have warehousing as the primary function and at the same time carry out regular operations of logistics mainly counting on their storage facilities. In the PRC, such projects are sometimes called as industrial park, logistics park, etc. to point out their roles for industrial agglomeration and to strengthen their attraction for tenants[6]. On the other hand, due to the significant differences of development histories and conditions, modern logistics properties in the two regions present differently, especially on property forms and building characteristics. Physically, modern logistics property of Hong Kong is commonly seen integrating various functions within a sole building, because of the lack of industrial land and the expensive land

6 Projects endowed with the name of industrial park are commonly seen with preferential policies, such as tax reduction.

price. Thus, modern logistics property building is customised, multi-storey with multifunctions and might be limited to meet the high-standard hardware requirements as comparison to that in the mainland (such as net ceiling height, loading capacity). As comparison, benefited from relatively sufficient industrial land, modern logistics property in the PRC is able to locate separated buildings with different functions. Developers do not have to increase the layer of logistics property for more storage area and have more rooms on improving hardware facilities.

Modern logistics property is in majority built recently with high level of modernisation and equipped with ancillary facilities. It can be used for multiple function of storage and to fulfil higher standard on logistics efficiency raised by modern logistics. Thus, modern logistics property is able to offer higher rental level than the non-modern one and its tenants are commonly with large-size storage amount. As modern logistics raising higher requirements on logistics efficiency for booming storage demand, non-modern logistics property is out-of-date and lose its competitiveness. The outbreak of the COVID-19 pandemic has also accelerated structural changes in consumers' spending habits and retailers' supply chain management, causing retailers and suppliers to modernise and improve their logistics facilities and capabilities in response to these changes.

Modern logistics property developer might merge and acquire such non-modern logistics property as a way of obtaining industrial land. It is not uncommon for a larger proportion of the floor area of modern logistics properties to be leased to only one or two major operator tenants. Further, the operator generally give new tenants rent-free periods ranging from one to three months, with occasionally longer periods being given to incentivise selected key or longstanding tenants.

As per to the definition above, we categorised the portfolio of SF for Wuhu, Foshan and Tsing Yi belongs to modern logistics properties. They face competition from other properties in Hong Kong and Foshan and Wuhu in the PRC and the neighbouring sub-districts in varying degrees.

2.1 In the PRC

The table below lists key characteristics that are usually considered when assessing modern logistics properties and non-modern logistics properties in the PRC. One can be regarded as modern logistics property if possessing most of factors.

Factors	Modern Logistics Property	Non-Modern Logistics Property
Location	Commonly seen with advantageous location and good accessibility.	Subjects to the rent affordability so may locates with less accessibility.
Structure	Single storey: High-quality concrete/steel structure Multi-storey: Concrete/steel structure with ramp/elevator	Masonry-concrete structure, masonry-timber structure, and reinforced concrete structure are often used.
Gross floor area	≥8,000sq.m.	Various sizes (≥4,000sq.m.)
Facilities	Commonly seen with separated and multitype buildings to fulfil daily operations such as office building, dormitory, canteen, etc.	Non-standard
Service capabilities	Able to provide more convenient and value-added services.	Limited with basic logistics services.
Net ceiling height	Single storey: ≥9m Multi-storey: 1st and 2nd floor ≥9m, 3rd floor ≥7m	1st floor: ≥6m, other floor: ≥4.5m
Loading capacity	1st floor: ≥3ton/sq.m., 2nd floor: ≥3ton/sq.m.	1st floor: ≥2ton/sq.m., other floor:≥0.6ton/sq.m.
Column span	≥11m	≥5m
Fire protection	Sprinkler is available, which is automatic if the ambient temperature crosses a given threshold.	Typically no facilities besides a fire hydrant available.
Fire Compartment	Available to enclose an area of a building with fire-resistant barriers	No fire compartment is available inside the building
Floor coating	Hardened concrete floor coating	Non-standard or even plain fill
Parking lots	Sufficient parking area	Non-standard
Monitoring System	24-hour security	Non-standard
Ventilation System	Available inside the building to control the inner air quality.	Non-standard
Other Equipment	Sufficient and reliable power supply, Storm water collection, wind turbine, solar thermal panel and telecom supply are all available.	Non-standard

Source: JLL

2.2 In Hong Kong

The table below lists key characteristics that are usually considered when assessing modern logistics properties and non-modern logistics properties in Hong Kong. One can be regarded as modern logistics property if possessing most of factors.

Factors	Modern Logistics Property	Non-Modern Logistics Property
Location	Commonly seen with advantageous location and good accessibility.	Subjects to the rent affordability so may locates with less accessibility.
Structure	Reinforced concrete structure, mostly with ramp-up access	Non-standard
Gross floor area	≥5,000sq.m.	Non-standard
Net ceiling height	At least ≥4.5m or suitable for three-pallet storage	Non-standard
Loading capacity	≥1.2ton/sq.m.	≥0.92ton/sq.m.
Column span	≥11m	Non-standard
Floor coating	Hardened concrete floor coating	Non-standard
Parking lots	Sufficient parking area	Non-standard
Monitoring System	24-hour security	Non-standard
Loading platform	With loading docks	Non-standard
Service capabilities	Able to provide more convenient and value-added services.	Limited with basic logistics services.

Source: JLL

OVERVIEW OF INDIVIDUAL CITY

1. Hong Kong

1.1. Overview

(a) Competitive Landscape

The competitive landscape of Hong Kong can be summarised into below key aspects:

Strategic Location

Situated in the heart of Asia, Hong Kong has been enjoying its strategic location by connecting multiple business markets and urban centres across the globe. Moreover, Hong Kong has benefited from its geographical proximity to the PRC for a long time, connecting one of the biggest city clusters, the Greater Bay Area of The PRC, to the north. Hong Kong is also a key node of "Belt and Road Initiative" as well as a core city in the Greater Bay Area.

Kwai Tsing district possesses the strategic position in the territory. It is one of the 18 districts of Hong Kong and consists of Kwai Chung and Tsing Yi. The district contains many mature infrastructures, such as the Tsing Ma Bridge that links to the airport, and the Container Terminal 9 that connects to other busiest ports in the world.

World-class Infrastructure and Transportation Hub

As a regional hub, Hong Kong is well-known for its world-class infrastructure and transportation capability. According to the 2019 Global Competitiveness Report issued by the World Economic Forum, Hong Kong ranked the 3rd in terms of infrastructure competitiveness (基建競爭力) in the world. Currently, Hong Kong possesses renowned infrastructure including international airport, container terminals, express rail link (Hong Kong section), Hong Kong-Zhuhai-Macau Bridge, etc.

Below summarises major existing and future infrastructures and their benefits.

Name	**Benefits**
The third runway of HKIA	A three-runway system can handle around 100 million passengers and cargo throughout of 9 million tonnes by 2030.
The Liantang/Heung Yuen Wai Boundary Control Point	It will significantly reduce travelling time between Hong Kong and Shenzhen and Guangdong East, facilitate future development in these areas and extend the economic hinterland of Hong Kong and Shenzhen. Strengthening the linkage with Shenzhen and Guangdong East is of strategic importance in terms of regional integration and co-operation.
The Hong Kong-Zhuhai-Macau Bridge	It shortens the travelling time to Zhuhai from 4 hours to 45 minutes.
Route 6	It is expected to relieve the congestion problem in Kowloon, and to serve as an alternative route for the existing Tseung Kwan O Tunnel.
The Tuen Mun-Chek Lap Kok Link	It is expected that the congestion between Tuen Mun Road and Wong Chu Road would not appear during peak hours. It also helps relieve the traffic burden in other areas in Tuen Mun.
North Lantau Highway	It shortens the travelling distance between the Chek Lap Kok airport and Hong Kong Island, and improves the transport system in the North West Territories.
Shenzhen Bay Bridge	It enhances the connectivity between Hong Kong and the PRC and promotes the growth of the trading and logistic sectors as well as the modern logistics property market in Hong Kong.

Source: JLL

According to the Hong Kong International Airport (HKIA), Hong Kong connects approximately 220 destinations worldwide by around 120 airlines, handling 71.5 million passengers in total in 2019. Despite losing its mantle as the world's busiest container port, HKIA is still one of the busiest airports for cargo movements around the globe.

The completions of the high-speed railway as well as the Hong Kong-Zhuhai-Macau Bridge further promote the interconnection between Hong Kong and the cities of the PRC. The high-speed railway connects Hong Kong and Shenzhen's Futian CBD in 15 minutes, while the Hong Kong-Zhuhai-Macau Bridge shorten the travelling time to Zhuhai and Macau by 80%. It is believed that such interconnection will facilitate the unshakable position of Hong Kong's renowned infrastructure and transportation hub.

Logistics Hub

Hong Kong has long been the regional logistics hub and enjoying the prosperity of logistics market thanks to the well-developed world-class air, sea and road infrastructures and transportations. In addition, Hong Kong values and embraces free trade. As such, Hong Kong's logistics sector, which has been growing all over these years, also takes advantages of the trading industry.

(b) Logistics Real Estate Industry

Benefited from the strategic location of Hong Kong in Asia, the city has been enjoying prosperity of Trading and Logistics Industry, which is one of the Four Key Industries. Specifically, the Trading and Logistics Industry accounted for 21% of Hong Kong's GDP and 19% of employment in 2018, according to the latest figures from the Census and Statistics Department.

Nowadays, there are more than 25,600 trading and logistics related companies locally and growing numbers of companies are setting up regional distribution hubs in Hong Kong to gain extra advantage through the well-developed and interconnected air, sea and road transportation modes.

(c) Government Policies

Hong Kong's government had issued many initiatives, master plans or policies to support local transportation, logistics and logistics property market. It is believed that the vigorous development of the industry may not happened without government's master plan and support. We have summarised several key documents that promoting the cultivation of the industry in following table.

Policies	Issued Body	Issued Date	Key Points
Transport-related Policy Initiatives	Transport and Housing Bureau	2019	• Developing Transport Infrastructure • Enhancement of Public Transport Fare Subsidy Scheme • Smart Mobility
Development of Hong Kong maritime, aviation and logistics industries	Action of the Secretary for Transport and Housing	2017	• Implemented a number of measures to complement the above-mentioned "consolidation" strategies
Hong Kong Logistics property Industry Regulatory Document	Logistics Industry Training Advisory Committee	2013	• Classification of Hong Kong warehousing • Promote the healthy development of Hong Kong's warehousing industry
Competitive Strategy and Master Plan for Hong Kong as the Preferred International and Regional Transportation and Logistics Hub	Hong Kong Port and Maritime Board	2001	• Strengthening 2 "C"s in 4 "L"s • To develop and implement a Competitive Strategy and Master Plan for Hong Kong to maintain its position as a transportation and logistics hub as a result of the development of alternative locations including those within the Pearl River Delta

Source: above mentioned issued body, JLL

As mentioned above, the gifted endowments of Hong Kong also refer to a closer connections between the logistics property market and world. A combination of external factors can result in the short-term fluctuation of key indicators of market performance such as leasing demand, rent levels, capital value, etc.. However, the logistics property market is resilient and we remain optimistic for its mid-to-long-term development.

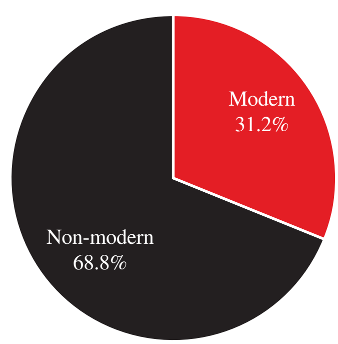
1.2. Stock

(a) Logistics Property Stock by Category

The Land Utilisation in Hong Kong 2019 issued by the Planning Department stated that the overall size of the logistics property and open storage reached approximately GFA 16.7 million sq.m. by the end of 2019. The modern logistics property stock[7] tracked by JLL achieved GFA 5.2 million sq.m.. With no new completion during the first half of 2020, the modern stock accounted approximately 31.2% of the total stock at the end of 2020.

Benefiting from Hong Kong's free trade policies, low tax rates and proximity to the PRC, the logistics sector has grown and expanded rapidly over the last decade, giving rise to an increasing demand for more and higher quality warehouse space in Hong Kong. Modern logistics properties with built-in smart facilities and systems are preferred by logistics operators over traditional warehouses. There is a limited supply of modern logistics properties in Hong Kong.

Logistics Property Stock by Category (Modern v.s. Non-modern, 2020)



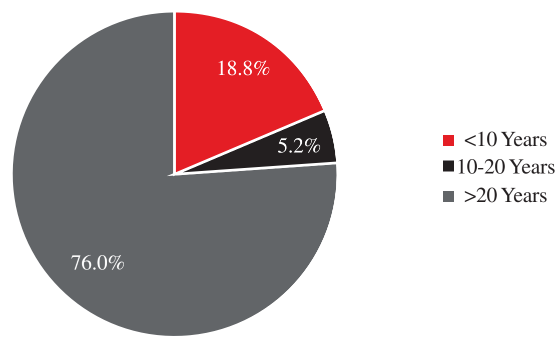
Source: Planning Department, JLL

7 The modern stock tracked by JLL is not a subset of the total stock of the Rating and Valuation Department. It means that according to JLL's standards, flatted factories or other properties that upgraded to the high-grade warehouse are also included in JLL's in-house database.

(b) Modern Logistics Property Stock by Age Profile

Approximately 76.0% of the existing modern stock in Hong Kong are more than 20 years old at the end of 2020. To catch up with the rising demand, modern logistics properties have been developed and managed by renowned market players in recent years. For instance, 18.8% of the stock were less than ten years of age.

Hong Kong Modern Logistics Property Stock by Age Profile (2020)



Source: JLL

Below set out the information of those modern logistics properties with less than 10 years ago in Hong Kong.

Property	Area	GFA (*sq.m.*)	Completion Year	Landlord
Pc3	Tai Po	25,800	2010	Kerry
China Resources International Logistics Centre	Kwai Chung	85,500	2011	China Resources
Goodman Interlink	Tsing Yi	221,900	2012	Goodman
Asia Logistics Hub – SF Centre	Tsing Yi	143,900	2014	SF Express (Goodear)
Mapletree Logistics Hub – Tsing Yi	Tsing Yi	148,100	2016	Mapletree
China Merchants Logistics Centre	Tsing Yi	138,400	2017	China Merchants

Source: JLL

(c) Logistics Property Stock by District

According to the Rating and Valuation Department, there was approximately IFA[8] 3.76 million sq.m. private storage stock as at the end of 2020. Over 80% or IFA 3.1 million of the stock was in the New Territories, of which 57%, or 1.78 million sq.m. were located in Kwai Tsing area.

According to JLL, it can be clearly seen that the modern logistics property stock was shifting towards Kwai Tsing for the last five years with no new completion in other regions. Compared to five years ago, the stock of Kwai Tsing rose 13% from approximately GFA 2.2 million sq.m. to approximately 2.4 million sq.m. at the end of 2020. It is believed that such shift was further promoted by the convenience of surrounding mature infrastructures, including North Lantau Highway, Hong Kong-Zhuhai-Macau Bridge, Shenzhen Bay Bridge, HKIA, Kwai Tsing Container Terminal 9 and etc.

Below summarises the changes in modern logistics property stock by district.

Changes in Modern Logistics Property Stock by District (from 2Q2015 to 2025)

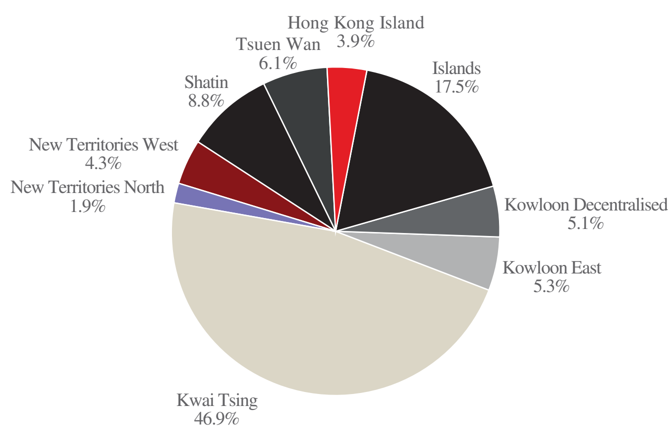
District	**Stock ('000 sq.m. GFA) 2025**	**Stock ('000 sq.m. GFA) 2020**	**Stock ('000 sq.m. GFA) 2Q2015**
Hong Kong Island	202.7	202.7	202.7
Islands	1,414.8	913.1	913.1
Kowloon Decentralised	267.7	267.7	267.7
Kowloon East	277.8	277.8	277.8
Kwai Tsing	2,443.5	2,443.5	2,157.0
New Territories North	98.0	98.0	98.0
New Territories West	310.9	226.1	226.1
Shatin	456.2	456.2	456.2
Tsuen Wan	319.6	319.6	319.6
Total	5,791.1	5,204.7	4,918.2

Source: JLL

8 According to the Rating and Valuation Department, non-domestic accommodation is measured on the basis of "internal floor area" which is defined as the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

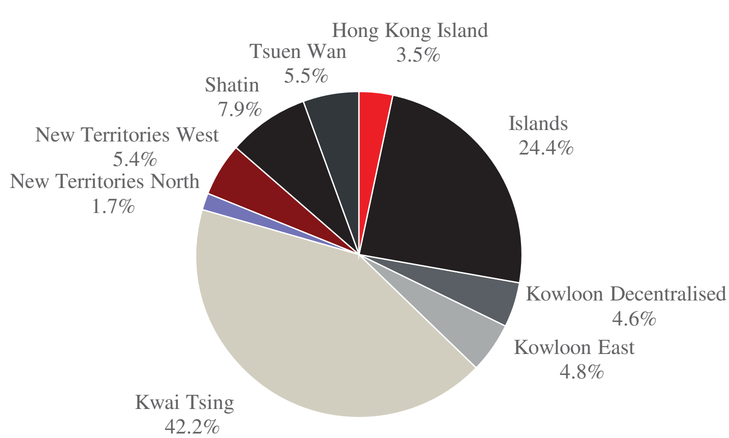
Figures indicated that by the end of 2020, 85.6% of the total modern stock was situated in the New Territories district (including Islands, Tsuen Wan, Shatin, New Territories West, New Territories North and Kwai Tsing), and Kwai Tsing was dominating in terms of stock volume. By 2025, the leading position of Kwai Tsing is expected to be remained, while the share of the Islands will be increased given upon completion of a mega size modern logistics property project in Kwo Lo Wan.

Modern Logistics Property Stock by District (2020)



Source: JLL

Modern Logistics Property Stock by District (2025)

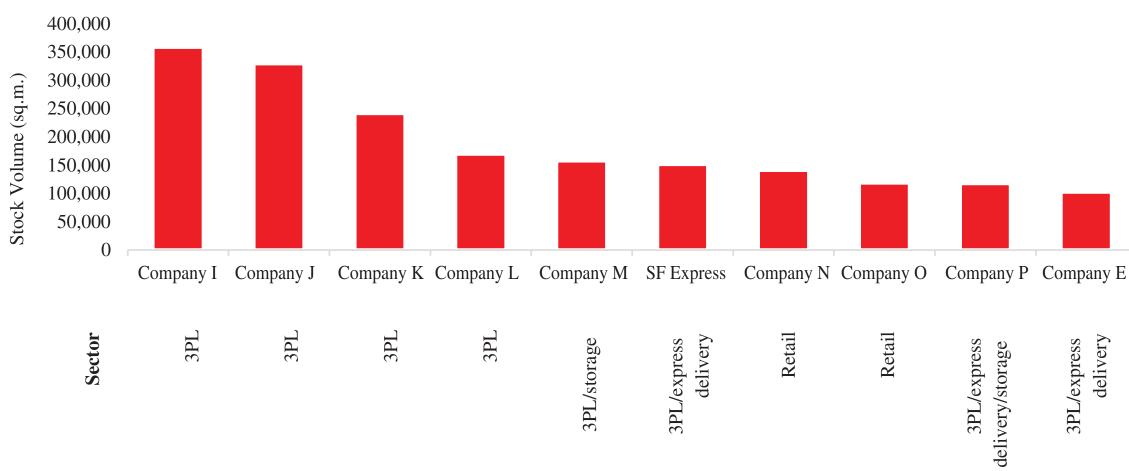


Source: JLL

(d) Logistics Property Stock by Major Players

The industrial concentration degree of the Transportation, Storage and Courier Services Sector is low in Hong Kong. According to the Key Statistics from the Census and Statistics Department released in 2020, there were around 26,000 related companies in this sector by the end of 2019. Moreover, it can be observed that key tenants of the local logistics property market are dominated by domestic logistics companies. As at the end of 2020, JLL's figures showed that top 10 occupiers only accounted 11.3% of the market shares, among which SF Express was the sixth largest logistics property occupier by stock volume.

Key Logistics Property Occupiers by Stock Volume (2020)

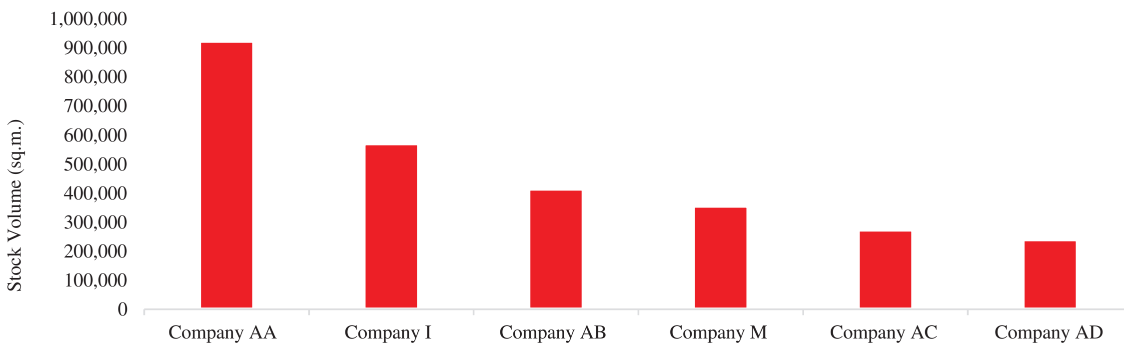


Note: JLL estimates as of the end of 2020. Stock occupation includes those that are modern and non-modern logistics properties.

Source: JLL

On the other hand, major market developers/operators include Goodman, Kerry Logistics, CK Asset and etc. The stock volume by landlords can be summarised in below chart.

Key Logistics Property Landlords by Stock Volume (2020)



Note: Stock figures as of the end of 2020. Assume equal stake if ownership of joint ventures is not determined. Landlords portfolio include both modern and non-modern logistics properties.
Source: JLL

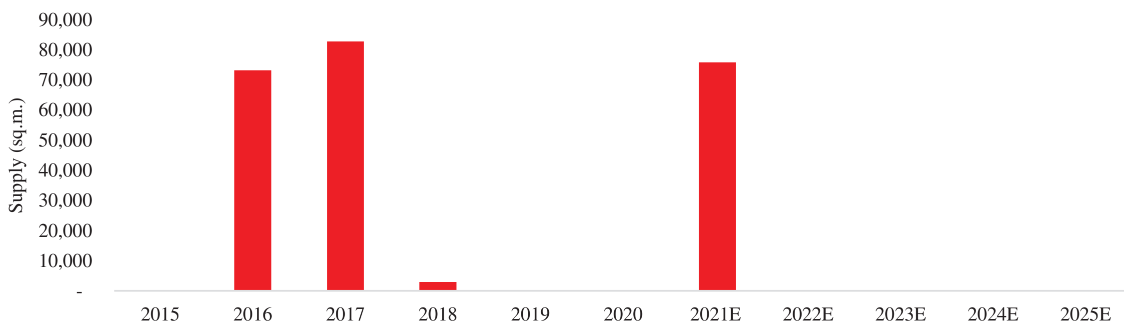
1.3. Supply

(a) Overall

Statistics from the Rating and Valuation Department showed that during the period between 2000 and 2009, the logistics property supply (private storage) was quite insufficient, with annual supply less than GFA 8,000 sq.m. on average. New supply was mainly located in the New Territories, such as Tuen Mun, Chek Lap Kok.

Boosted by the e-commerce sector and retailing industry, demand for logistics property has been continuously rising in the last ten years. To satisfy the needs, the annual supply during 2010-2019 reached approximately GFA 43,600 sq.m., 6.2 times higher than the previous decade. Among which SF Centre, Mapletree Logistics Hub Tsing Yi, China Merchants Logistics Centre were built with modern logistics property standards.

Overall Logistics Property Supply (2015-2025)



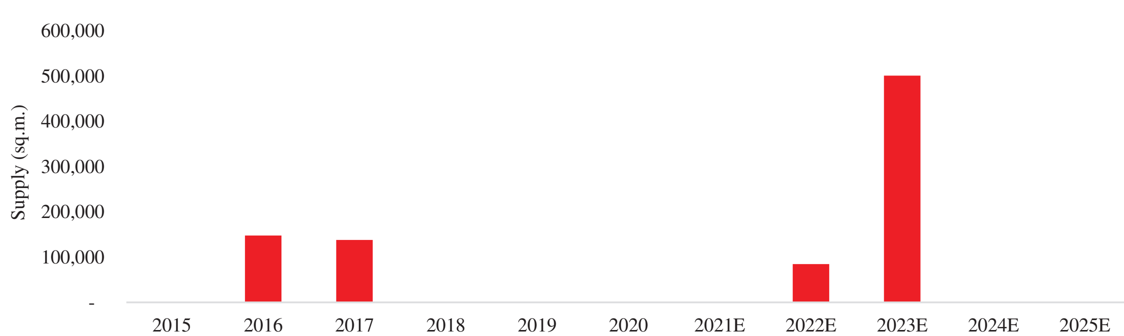
Source: Rating and Valuation Department, JLL

(a) Modern Logistics Property Supply

For modern logistics property supply, it can be witnessed that only a minimal number of logistics properties entered the market in the past five years. New completions including Mapletree Logistics Hub Tsing Yi (approx. GFA 148,087 sq.m.) and China Merchants Logistics Centre (approx. GFA 138,426 sq.m.), both of them are located in Kwai Tsing.

In the foreseeable future, there would be no projects in the pipeline expected for completion before 2022 and the market is anticipated to see a new supply in 2023. Specifically, Goodman Westlink (approx. GFA 84,700 sq.m.) and Cainiao premium logistics centre isn Kwo Lo Wan (approx. GFA 502,000 sq.m.) are anticipated to be completed in 2022 and 2023, respectively.

Modern Logistics Property Supply (2015-2025)



Source: JLL

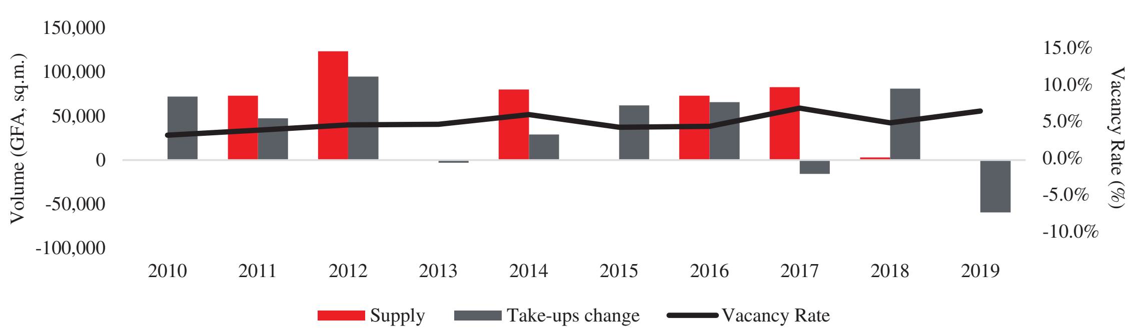
1.4. Vacancy Rate

(a) Overall

Rating and Valuation Department of Hong Kong categorised industrial premises into flatted factories, industrial/office, specialised factories and private storage. Specifically, private storage comprises premises designed or adapted for use as godowns, cold stores, ancillary offices and those located within container terminals. By comparison, we adopted private storage to represent the overall logistics property.

Strong take-ups during 1999-2000 dragged down the overall vacancy rate level to 4.7% in the end of 2000. Nonetheless, negative absorption had been observed in 2001, pulling up the vacancy rate to 7.1%. Couple with insufficient supply and stable demand afterwards, vacancy rate dropped and remained at around 3.0% between 2005 and 2008. However, the Global Financial Crisis of 2008-2009 weakened the confidence of tenants, resulting an upward pressure of vacancy rate. The market sentiment was soon recovered in 2010, and boosted by the e-commerce sector and retailing industry, the vacancy rate fluctuated around 5.0% despite supply influx afterwards. Until recently, China-U.S. trade war and social unrest put pressure on local retail, imports/exports industry as well as logistics property market, leading to an uplift of vacancy rate. Thus, by the end of 2019, it can be witnessed that the net take-ups in 2019 was negative and the vacancy rate bounced to 6.4%.

Overall Logistics Property Vacancy Rate (2010-2019)



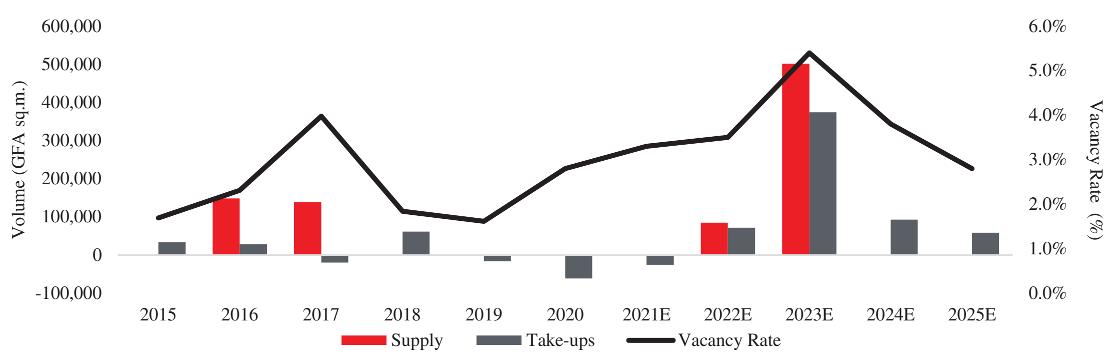
Source: Rating and Valuation Department

(b) Modern Logistics Property Vacancy Rate

In general, the vacancy rate of the modern logistics property witnessed a downward trend except there were new completions in 2016 and 2017. However, due to the same reasons above, the vacancy rate was up from a historical low level 1.3% in 3Q2019 to 2.9% in 4Q2020.

Approximately 102,000 sq.m. of marketable space is set to return to the leasing market upon lease expiry in 2021, as some domestic retailers and import/exporters are set to reduce their logistics footprints. Moreover, private consumption expenditure, merchandise trade and retail sales volume of Hong Kong are all forecast to have negative growth in 2020, as the weakened economy in the aftermath of the pandemic could take longer to recover. On the flip side, there are no projects in the pipeline expected for completion before 2022.

Modern Logistics Property Vacancy Rate (2015-2025)



Source: JLL

1.5. Rent

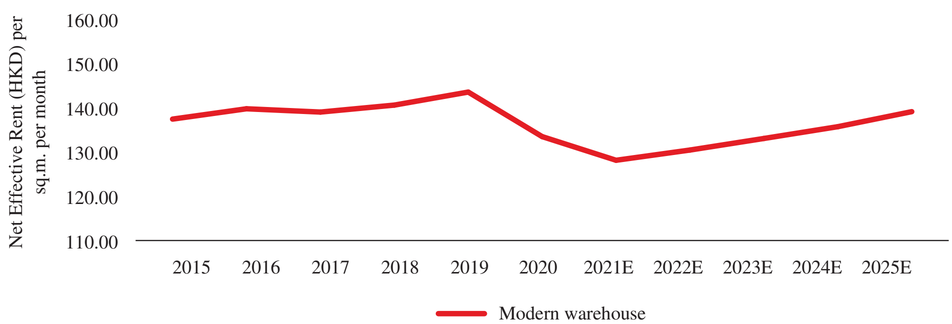
Under similar external factors (such as location, policies, proximity to infrastructures, and etc.), modern logistics properties are able to charge a higher rent compared to non-modern facilities. This is because modern logistics property generally possesses sufficient floor-to-floor height, loading capacity and platform, car parking lots, and ancillary functions, such as office area. Modern logistics property commanded a 11.8% premium over the rental in non-modern logistics property in 2020.

Statistics show that the net effective rent of modern logistics property enjoyed a stable growth from 2015 to early 2019, and drop from HKD145.6/sq.m./mth since 2Q2019 and further slid to HKD129.5/sq.m./mth in 4Q2020.

Logistic facilities' rents are expected to rebound slightly in the second half of 2021. In short run, cost-sensitive tenants in trading, retail and etc. sectors are more likely to relocate to cost-saving facilities so the rental level of modern logistics property will see a 6-8% drop in 2021. In the mid-to-long term, limited supply and strong demand rebound will be the key drivers for rental growth. Modern logistics property could enjoy a higher rental growth if demand for high-quality logistics property starts to pick up.

The chart below sets out the rent performance of Hong Kong modern logistics property market during 2015-2025.

Modern Logistics Property Net Effective Rent (2015-2025)



Source: JLL

Moreover, in the past five years, it can be observed that the rental gap between modern and non-modern logistics property narrowed mainly due to lack of leasable space in modern logistics property, boosting up the rental value of non-modern logistics property. However, shared with the same reasons mentioned above, the rental value of non-modern logistics property started to sink.

Supported by excellent features such as higher handing efficiency, well-designed, larger floor area and etc., it is forecasted that the modern logistics property will remain resilient and outperform non-modern logistics property. It is anticipated that market recovery will contribute a steady rental growth of modern logistics property in the period between 2021 and 2025, with a CAGR of 3.6%.

1.6. Demand

Demand for logistics properties in Hong Kong has been growing for years due to its modern location in Asia, creating significant opportunities for trading, logistics, logistics properties and etc. The city is the ideal place to develop a logistics, supply chain, logistics property and storage business benefited by its free-port status, mature infrastructure and transportation. Increasing trade with the PRC and other Asia Pacific regions cultivate the prosperity of the industry. As such, companies with the background of storage, logistics, retail and etc. have been the essential demand for local logistics property market. Besides, it is also difficult to convert non-modern logistics properties to modern logistics properties since conversion would involve significant physical transformation, such as loading capacity and net ceiling height, which is costly and time-consuming. Conversion may not be feasible, for example, where a traditional warehouse is located in a place with low power distribution that fails to meet the high energy consumption requirements of modern warehouses.

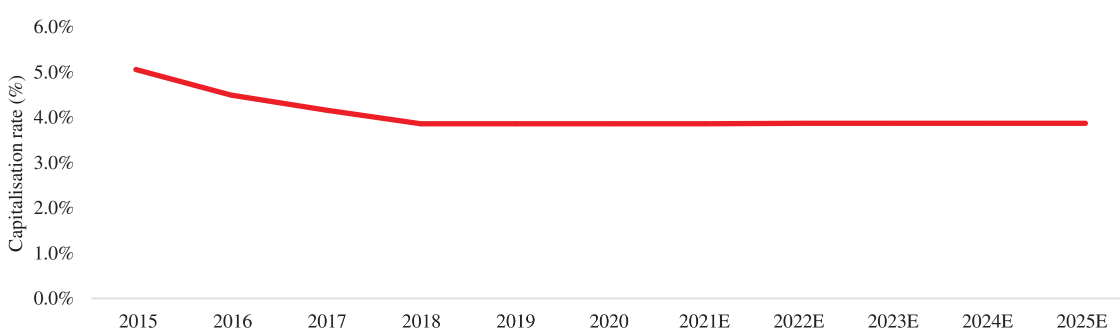
We remain optimistic about the strategic location, transportation and logistics hub of Hong Kong. Therefore, it is anticipated that the demand for logistics property remain solid in the mid-to-long term, considering the ease of the pandemic and China-U.S. tension.

1.7. Capital Market

(a) Capitalisation Rate

The growing maturity of the local logistics property market has lowered both the investment risk and the required yield for logistics properties. As a result, capitalisation rate for modern stock has been compressing in recent years. Meanwhile, investors gradually shift their investment preferences to other product types. Moreover, with no major en-bloc modern logistics property being transacted since 2018, the capitalisation rate remained stable at around 3.5%-4.5%.

Modern Logistics Property Capitalisation rate (2015-2025)

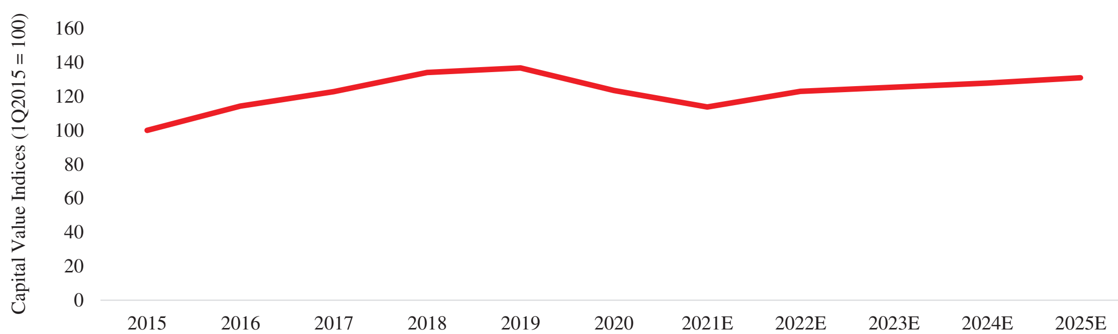


Source: JLL

(b) Capital Value

The capital value indices of modern logistics property have been witnessing a rising trend during the last five years because of rising rent and compressed capitalisation rate. Until recently the investment sentiment was weakened due to the social unrest since 2Q2019. The figure decreased sharply in 2020 and is anticipated to bottom out in 2021 with the improvement of development environment.

Modern Logistics Property Capital Value Indices (2015-2025, 2015=100)



Source: JLL

1.8. Outlook

The strategic position of Hong Kong is likely to remain unshakable in Asia in the coming future. There are reasons to believe that the industry will remain optimistic.

First of all, the continuous improvement of infrastructure will strengthen the interconnection domestically and internationally. For instance, the completion of the Liantang-Heung Yuen Wai Boundary Control Point will facilitate the interconnection between Hong Kong and cities in the PRC, lending support to the cross-broader logistics and delivery as well as demand for logistics property.

On the demand side, the growth of the e-commerce sector and retailing industry in Hong Kong and the PRC has generated an increased demand for cross border logistics and express delivery services, which has led to an increase in demand for logistics facilities and warehouses and boosted the local modern logistics property markets. Meanwhile, it is anticipated that the traditional retailing industry will recover along with the ease of the COVID-19 pandemic. Under these circumstances, demand for logistics properties is likely to rebound, and we may see a more resilient market in the near future.

On the supply side, it is expected that there is no modern logistics property supply until 2022, giving opportunities to existing logistics properties for optimising their leasing strategies and occupancy rates. However, mega-size Cainiao project in the Islands is likely to lift up the vacancy rate. Nonetheless, couple with the above reasons, we remain optimistic about the forecasted vacancy rate for modern logistics property to below 5% in five years' time.

Hong Kong's logistics industry remains firmly on the radar of investors. While growth in values is likely to slow in the short run, investors' confidence in the structural drivers for the logistics sector is expected to remain intact. Therefore, capital values are forecast to stay relatively firm, with modest yield compression may be observed.

1.9. Comparable Transactions

(a) Sales Transactions

We have selected sales transactions with logistics property usage that were larger than GFA10,000 sq.m. in the New Territories and summarised in below table.

Property	**Building Year**	**Transacted Date**	**Transacted Price** *(HKD million)*	**GFA** *(sq.m.)*	**Unit Price** *(HKD/sq.m., GFA)*	**Owner/Buyer**	**Seller**
Kader Industrial Building	1989	Aug-20	820	19,305	42,477	China Resources	Tang Shing Bor
Central Industrial Building	1971	Mar-20	1,080	16,100	67,082	Tang Shing Bor	Hanison Construction
Milo's Industrial Building	1972	Nov-19	880	18,116	48,577	GDS Services	Milo's Investment Limited and others
Nan Sing Industrial Building	1973	Jul-19	950	10,891	87,228	China Aoyuan Properties	Laws Group
Cobalt Centre	1985	Feb-20	790	10,781	73,277	First Group	Li & Fung Group
Hang Fat Industrial Building	1981	Dec-20	965	14,501	66,547	Prosper Way Limited	Sze Sun Preserved Ginger

Source: RCA, JLL

(b) Leasing Transactions

The subject is located in Kwai Tsing district and we have selected comparable leasing transactions that were larger than GFA1,000 sq.m. in this region and summarised in below table.

Property	District	Quarter	Year	GFA *(sq.m.)*	Gross Rent *(HKD/sq.m./mth, GFA)*	Tenant	Type
Goodman Kwai Chung Log Ctr	Kwai Chung	2Q	2015	1,156	102	Forever Good (HK) Ltd	New letting
Goodman Interlink	Tsing Yi	3Q	2015	25,553	161	DHL	Relocation
Safety Godown	Kwai Chung	3Q	2015	3,833	277	Freudenberg & Vilene International Ltd	Relocation
Mapletree Logistics Hub	Tsing Yi	4Q	2015	13,935	183	Red Mart	New letting
ATL Logistics Ctr A	Kwai Chung	1Q	2016	10,762	161	Carlsberg Hong Kong Ltd	Relocation
ATL Logistics Ctr A	Kwai Chung	1Q	2016	1,342	167	CYTS-Spirit Logistics Ltd	Relocation
ATL Logistics Ctr	Kwai Chung	1Q	2016	1,562	161	Jinnex Ltd	Relocation
ATL Logistics Ctr	Kwai Chung	1Q	2016	3,988	161	PCC Asia LLC	Relocation
Mapletree Logistics Hub	Tsing Yi	2Q	2016	13,657	161	Hong Kong TV Logistics Network Co. Ltd	Expansion
Mapletree Logistics Hub	Tsing Yi	3Q	2016	21,368	151	Adidas Hong Kong Ltd	Expansion
Goodman Kwai Chung Logistics Centre	Kwai Chung	3Q	2016	1,210	102	Comtech Int'l (HK) Ltd	Expansion
ATL Logistics Ctr	Kwai Chung	3Q	2016	2,358	161	Tesla Motors HK Ltd	New
ATL Logistics Centre	Kwai Chung	2Q	2017	1,497	161	CN Logistic	New
ATL Logistics Centre	Kwai Chung	1Q	2018	5,342	161	Willas-Array	New
ATL Logistics Centre	Kwai Chung	1Q	2018	11,130	161	Kerry Logistics	Expansion
ATL Logistics Centre	Kwai Chung	2Q	2018	2,358	161	Kerry Logistics	Expansion
ATL Logistics Centre	Kwai Chung	2Q	2018	1,513	238	Arroa Asia Pac Ltd	Expansion
ATL Logistics Centre	Kwai Chung	3Q	2018	1,686	161	Forewide Company (Logistics) Ltd	Expansion
China Merchants Logistics Centre	Tsing Yi	4Q	2018	30,336	143	Brilliant Cold Storage	Relocation
Hutchison Logistics Centre	Kwai Chung	1Q	2019	10,603	116	Getz Bro	Relocation
Hutchison Logistics Centre	Kwai Chung	1Q	2019	2,690	151	Pantos Logistics	Relocation

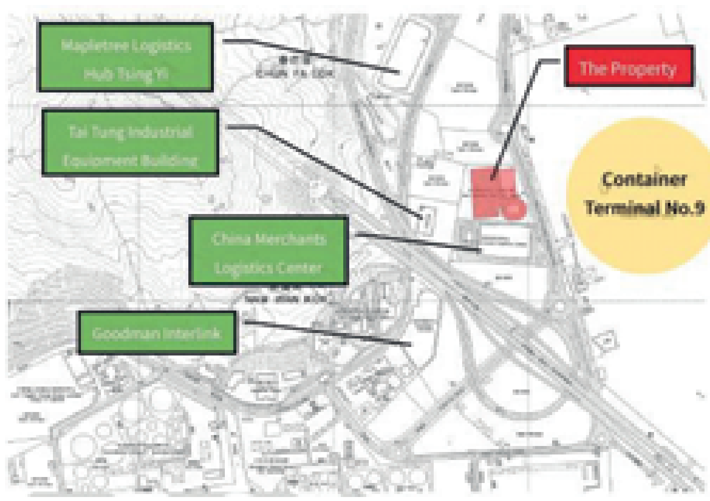
Property	District	Quarter	Year	GFA (sq.m.)	Gross Rent (HKD/sq.m./mth, GFA)	Tenant	Type
ATL Logistics Centre	Kwai Chung	2Q	2019	4,982	183	Sankyu Eastern	Relocation
Hutchison Logistics Centre	Kwai Chung	2Q	2019	4,720	161	Sun Hing Logistics Services Ltd	Expansion
Goodman Kwai Chung Logistics Centre	Kwai Chung	3Q	2019	2,420	131	Comtech Int'l (HK) Ltd	Renewal
Watson Centre	Kwai Chung	3Q	2019	2,354	107	The Financial Secretary Incorprated	New
China Merchants Logistics Centre	Tsing Yi	3Q	2019	14,822	143	Tesla Motors HK Ltd	New
ATL Logistics Centre	Kwai Chung	3Q	2019	1,486	197	Blue Light International Logistics Ltd	New
Cheung Wing Industrial Building	Kwai Chung	3Q	2019	1,003	86	Motor Image Kowloon Limited	Relocation
ATL Logistics Centre	Kwai Chung	4Q	2019	1,540	194	Dole Hong Kong Ltd	New
MTL Warehouse Phase 2	Kwai Chung	4Q	2019	5,342	138	Uti Worldwide Inc (DSV Group)	Relocation
ATL Logistics Centre	Kwai Chung	4Q	2019	4,896	183	Indigo Living Ltd	Relocation
ATL Logistics Centre	Kwai Chung	1Q	2020	3,048	194	HIGHGATE Limited	Relocation
ATL Logistics Centre	Kwai Chung	1Q	2020	14,536	172	LF LOGISTICS (HONG KONG) LTD	Renewal
ATL Logistics Centre	Kwai Chung	1Q	2020	2,278	183	EVER BRIGHT FREIGHT LTD	Relocation
ATL Logistics Centre	Kwai Chung	1Q	2020	1,497	172	KAM SING TRANSPORTATION LTD	Renewal
ATL Logistics Centre	Kwai Chung	1Q	2020	2,230	204	THAI KEE LOGISTICS LTD	Renewal
Hutchison Logistics Centre	Kwai Chung	2Q	2020	3,066	135	Best Global Logistics Limited	Relocation
Goodman Interlink	Tsing Yi	2Q	2020	2,658	161	BEL International Logistics	Renewal
Kerry Warehouse (Shatin)	Shatin	3Q	2020	2,680	130	Toshiba Logistics Hong Kong Company Ltd	Relocation

Property	District	Quarter	Year	GFA *(sq.m.)*	Gross Rent *(HKD/sq.m./mth, GFA)*	Tenant	Type
ATL Logistics Centre	Kwai Chung	3Q	2020	1,287	172	Kerry Logistics (Hong Kong) Ltd	Renewal
ATL Logistics Centre	Kwai Chung	3Q	2020	8,534	172	Alps Logistics Hong Kong Ltd	Renewal
ATL Logistics Centre	Kwai Chung	4Q	2020	2,718	161	Willas-Array Electronics Management Ltd	New
ATL Logistics Centre	Kwai Chung	4Q	2020	1,955	172	ATC Air Service Ltd	Renewal
ATL Logistics Centre	Kwai Chung	4Q	2020	2,975	161	Nissin Transportation&Warehousing (H.K.) Ltd	Renewal
ATL Logistics Centre	Kwai Chung	4Q	2020	2,892	161	Nissin Transportation&Warehousing (H.K.) Ltd	Renewal
ATL Logistics Centre	Kwai Chung	4Q	2020	1,224	161	Nissin Transportation&Warehousing (H.K.) Ltd	Renewal
ATL Logistics Centre	Kwai Chung	4Q	2020	3,048	161	Horstrong Warehousing Co Ltd	Renewal
ATL Logistics Centre	Kwai Chung	4Q	2020	1,497	183	Kwai Bon Transportation Ltd	Renewal
ATL Logistics Centre	Kwai Chung	4Q	2020	2,611	161	Atta-Trans Ltd	Renewal
ATL Logistics Centre	Kwai Chung	4Q	2020	821	161	Baltrans Int'L Moving Ltd	New
ATL Logistics Centre	Kwai Chung	4Q	2020	3,006	161	Baltrans Int'L Moving Ltd	Renewal

Source: EPRC, public available information, JLL

1.10. Individual Asset Analysis

The property is located at Tsing Yi Hong Wan Road, immediately adjacent to the Container Terminal No.9, at the south-eastern end of the Tsing Yi Island. It is approximately 19 kilometres away from Hong Kong International Airport. Tsing Yi is a premium logistics cluster with a high concentration of logistics properties and a critical mass of modern logistics properties.



Source: JLL

The property is designed for operating at a high level of throughput functioning 24-hours a day, comprising (a) a distribution centre equipped with automatic sorting and supply chain support facilities and (b) carpark spaces and warehouses and (c) ancillary offices. It has features such as:

- vehicular ramp access to every warehouse floor with direct and spacious loading and unloading docks, which permit direct truck access to each floor and enhance operational efficiency.

- high quality building specifications, such as large and regular floor plates ranging from 2,204 sq.m. to 14,389 sq.m., high ceilings ranging from 5.3 metres to 6.5 metres and wide column spacing of 16.0 metres by 16.3 metres for optimal spacing utilisation.

- Environmentally friendly and energy-saving features such as the use of energy-efficient building materials.

(a) Competitive Analysis and Competitive Positioning

The subject, situates at the superior location in Kwai Tsing District, is one of the modern logistics properties which possesses aforementioned modern logistics property specifications and completed less than ten years.

Kwai Tsing District, which consists of Tsing Yi and Kwai Chung, is situated at the southern part of the New Territories. Kwai Tsing is one of the most important economic arteries of Hong Kong. It contains the Kwai Tsing Container Terminals, one of the busiest container terminals in the world.

At the end of 2020, Kwai Tsing District has the largest modern logistics property stock in Hong Kong, totalling 2.4 million sq.m., or 46.9% of the total stock, creating a relatively competitive environment for the subject. For example, Goodman Interlink, Mapletree Logistics Hub and China Merchants Logistics Centre are considered modern logistics property and the major competitors within the area.

The competition is likely to remain stable as there is no new supply in this region in coming years. The nearest completions will not be arrived until 2022-2023, such as Goodman's modern logistics (est. completion year 2022) in Area 49 in Tuen Mun and the premium logistics centre in Kwo Lo Wan in the South Cargo Precinct of the HKIA (est. completion year 2023).

(b) Performance Analysis

The subject is a ramp-up 16-storey building, providing warehouse, loading docks, ancillary offices, stores, car parking space and etc.

Floor	**Uses**	**Floor to floor height** *(metre)*	**Floor loading** *(tons/sq.m.)*
B/F	Car parking spaces	6.0	4.1
G/F	Ramp access warehouse, vehicle queueing spaces	6.3-8.7	1.9
1/F-2/F	Ramp access warehouse, loading and unloading spaces, car parking spaces	7.3	1.6
3/F-5/F	Ramp access warehouse (including cold storage portion in 4/F), loading and unloading spaces, car parking spaces	5.1-7.7	1.5
6/F-8/F	Ramp access warehouse, stores, loading and unloading spaces, car parking spaces	6.3-7.7	1.5
9/F	Ancillary office, stores, computer room, changing room	4.4	5.1
10/F-14/F	Ancillary office	4.1	5.1

Source: S.F. Express, JLL

The tenant mix of the subject is quite simple, dominating by storage, 3PLs and logistics companies. The first and second largest tenant together occupy approximately 86% total warehouse space.

The face unit rent of the logistics property part varied, and subjected to the leased area, floor, contract period and etc., ranging from HKD89~194/sq.m./mth, excluding management fee, as at the end of 2020.

(c) SWOT Analysis

The SWOT analysis can be summarised in below table.

Strengths	**Weaknesses**
• The subject is relatively new (<10 years old) with modern logistics standards. It is also one of the newest logistics facilities within the area • One of the very few prime projects that provide ramp assess warehouse, cold storage and ancillary office • Strong project management experience by S.F. Express • Proximity to the expressway (200 metres), the Container Terminal 9 (8 minutes driving time) and the HKIA (23 minutes driving time)	• N/A
Opportunities	**Threats**
• No new modern supply in foreseeable years • It is expected that the 3rd runway of the HKIA will be completed in 2021, benefiting the surrounding districts as well as the subject • To seize the growing demand of e-commerce	• There is plenty of leasable space in comparable that may compete with the subject in terms of leasing strategy

Source: JLL

(d) Performance Outlook

The strategic position of Tsing Yi, such as close to the container terminal and the HKIA, will continue lend a hand to the logistics demand in the area. And it is anticipated that such position will be further promoted along with improving infrastructure, such as the 3rd runway of the HKIA, benefiting Tsing Yi as well as the subject.

It is expected the subject will be fully occupied in the mid-term, thanks to the profound project management experience, leasing strategy and strong self-used demand of the S.F. Express. Considered the achievable rents of the subject and the market performance of other comparable, we estimate that the subject could achieve unit rent ranging from HKD140~219/sq.m./mth, excluding management fee, in coming 3 years.

(e) Overview of Comparable Projects

Below table set out the overview of the comparable projects in surrounding area.

Name	**Goodman Interlink**	**Mapletree Logistics Hub Tsing Yi**	**China Merchants Logistics Centre**
Completion Year	2012	2016	2017
Owner	Goodman Interlink Limited	Mapletree Logistics Trust	China Merchants Group
Total Lettable Area (approx. sq.m., ramp access)	224,800	148,100	138,400
Total Leasable Area (approx. sq.m., cold storage)	N/A	N/A	14,900
Approx. Efficiency	50%-55%	55%	Approx. 58%
Storey	25/s cargo centre	10/s cargo centre	10/s cargo centre with ancillary office
Current Occupancy Rate (approx.)	Approx. 81%	100%	Over 95%
Rent/Achievable Rent (approx. HKD/sq.m./mth, ramp access, as at 4Q2020)	172-183/152-178	172/161	151-172/141-161
Key Tenants	DHL, Sagawa Express, BEL International Logistics	Red Mart, Hong Kong TV Logistics, Adidas Hong Kong	Brilliant, Tesla Motors

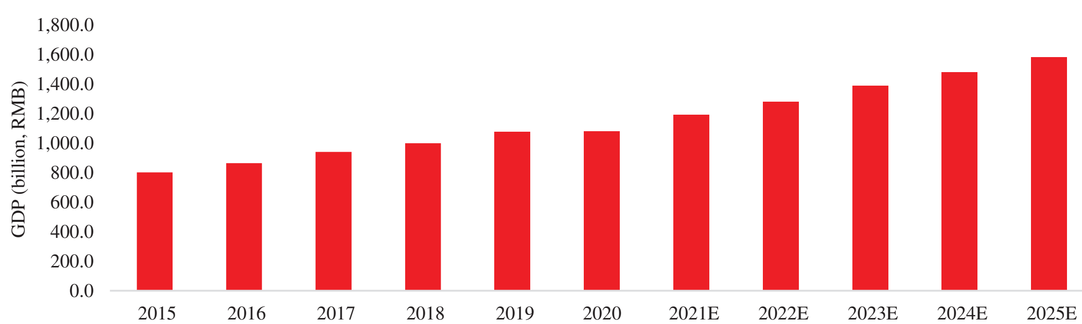
Source: JLL

2. Foshan City

2.1. Overview

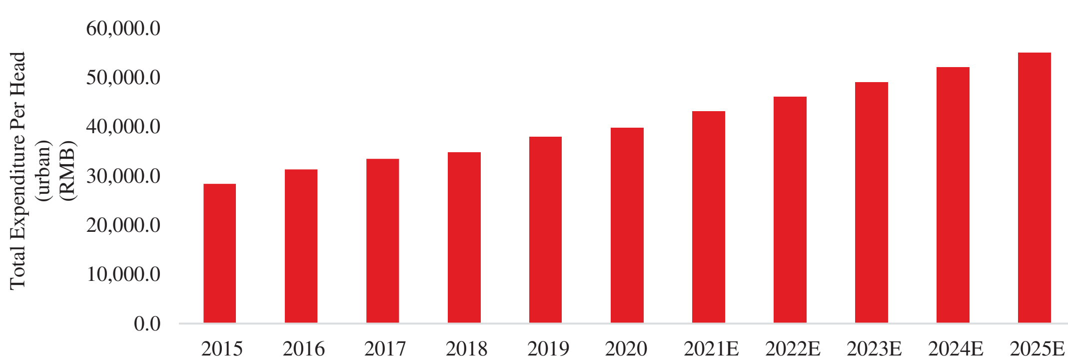
Foshan covers 3,848 square kilometres and has an urban population of around 8.2 million in 2019. Over 1.48 million people of Foshan's descent are now living in Hongkong, Macao and other regions of the world. It is the manufacturing centre of west Greater Bay Area. According to the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, the city is planned to be a key hub on driving the development of GBA. From 2015 to 2020, the city saw stable GDP increased at a CAGR of approximately 7.1% and it is expected to reach RMB1,580 billion by 2025 with a 2020-2025 CAGR of approximately 7.6%.

Nominal GDP of Foshan City (2015-2025)



Source: EIU JLL

Total Expenditure Per Head (urban) of Foshan City (2015-2025)



Source: EIU JLL

(a) Competitive Landscape

Satellite City of Guangzhou

Foshan is geographical close to Guangzhou with border contiguous on the east. The distance between downtowns of two cities is around only 18 kilometres. Furthermore, Foshan has proximity to Guangzhou South Railway Station where there equips with Guangzhou-Foshan inter-city metro as well as other nine metro lines straight connected with the most part of Guangzhou. As one of the tier-1 cities and the central city of Southern China, Guangzhou has various resources for development. Thus, the proximity has made Foshan a preferred business and transport location to undertake spillover capitals as well as resources of Guangzhou, which enhances the construction of inter-city infrastructure and the synergy of logistics facilities.

The proposal on the integration of Foshan and Guangzhou further contribute to the construction of transportation infrastructure and logistics facilities. According to the 13th Five-Year Plan for Integrated Development of Guangzhou and Foshan (2016-2020) (廣佛同城化"十三五"發展規劃(2016-2020年)), Foshan is supposed to use its competitive advantages in manufacture and logistics areas along with the cooperation framework of Guangzhou-Foshan.

Staple Demand from Manufacturing Sector

Foshan has a solid industrial foundation and is best known as the manufacture centre of west side in Greater Bay Area. The overall secondary sector takes account of 56.4% of total city's GDP. 4.0% and 1.9% growth in Foshan's advanced manufacturing and high-tech manufacturing sectors respectively had been recorded in 2020. The city is also famous for private manufacturing economy and have fostered industrial giants such as Midea, Haitian, Kelon and Galanz. The city now has vital industries include petrochemicals, electronics and equipment manufacturing, which provide long-lasting demands for local logistics facilities.

Transportation Hub in the midst of Greater Bay Area

Foshan is a main interchange for railway routes linking Guangzhou, Hong Kong and western Guangdong Province. It is connected with Hong Kong via the KCRC Guangdong Through Train, an inter-city train service that was extended from Guangzhou to Foshan in the 1990s. It has strategic importance for the logistics industry nationwide.

Foshan Port is a busy cargo port terminating to as many as 14 major ports including Sanshan, Sanshui, Xinshi, Gaoming etc., and can transport cargo directly to Hong Kong, Shenzhen and Nansha.

(b) Logistics Real Estate Industry

Foshan logistics market grows promisingly recent years. According to the Layout and Construction Plan of National Logistics Hubs (國家物流樞紐佈局和建設規劃) published in 2018, Foshan was positioned and planned to be one of 22 national-level logistics hubs at the end of 2020.

(c) Government Policies

Relevant policies for logistics industry in Foshan are as below:

Policies	Issued Body	Issued Date	Key Points
About Continuing Urban Land Use Tax Deduction of Commodity Storage Facilities Land for Logistics Companies (《關於繼續實施物流企業大宗商品倉儲設施用地城鎮土地使用稅優惠政策的公告》)	Ministry of Finance/State Taxation Administration	2020.03.31	To continue implementing the policy that of waiving and deducting Urban Land Use Tax of Commodity Storage Facilities Land for Logistics Companies
Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area(《粵港澳大灣區發展規劃綱要》)	The State Council of the People's Republic of China	2019.02.18	To leverage the leading roles of the strong combinations of Hong Kong-Shenzhen, Guangzhou-Foshan and Macao-Zhuhai, expedite the integrated development of Guangzhou and Foshan, enhance their overall strength and global influence, and lead the Greater Bay Area in participating in international cooperation in great intensity

Policies	Issued Body	Issued Date	Key Points
The 13th Five-Year Plan for Integrated development of Guangzhou and Foshan (2016-2020) (《廣佛同城化"十三五"發展規劃(2016-2020年)》)	Guangzhou People's Government/Foshan People's Government	2017.10.18	To strengthen competitive advantages between Guangzhou and Foshan as well as link both cities for intensive communication
The 13th Five-Year Plan for Economic and Social Development of Foshan (《佛山市國民經濟和社會發展第十三個五年規劃綱要》)	Foshan People's Government	2016.05.18	Promote modern logistics industry, with movements to construct logistics parks and centres, and attract renowned logistics enterprises and related service institutions around mainland and overseas
The 13th Five-Year Plan for Transportation Development of Foshan (《佛山市"十三五"交通發展規劃》)	Foshan City Traffic Bureau	2016.05.18	Facilitate logistics industry development policy; leverage the logistics infrastructure; construct logistics information system; promote efficient cargo organisation system; establish convenient city distribution system

Source: JLL

Foshan's logistics property market was speculated with less impacts from COVID-19 and the internal imbalance of supply and demand continue to be the main reason for the changes of market performance. For example, operators were observed stabilising rental level and some of them even remained the growth rate as previous.

2.2. Stock

The total stock of Foshan logistics market occupies over 2.2 million sq.m. in 4Q2020. The amount lifts 6 times than that was in 2015. Reasons behind the rapid growth can be seen from the mass infrastructure developments, logistics land-use shortage in Guangzhou as well as growth of rental demand.

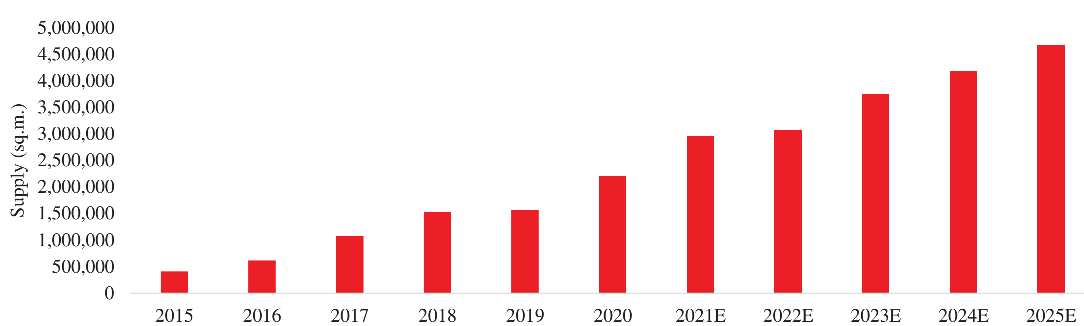
Key infrastructure developments and renewals such as Guangzhou South Railway Station and Foshan-Kai Highway promote the efficiency of inter-city distributions and logistics activities. It helps to attract famous logistics operators to enter Foshan's logistics market.

Moreover, due to the expansion of residential and commercial districts of Guangzhou, developers of logistics real estate find it with growing difficulties to purchase industrial land in the cities. According to "2020 Guangzhou Land Supply Plan", the proportion of industrial and logistics land has been downsized by 4% points compared with that in 2019. Thus, Foshan, with a history of manufacturing industry and relatively large stock of industrial land, came to be the best options.

From the demand side, the vigorous rise of e-commerce in GBA contributes a large portion of local market demand for Foshan in recent years. Given this upward trend, developers and investors might enlarge their investments or extend their portfolio of logistics real estate for strategic concerns.

The chart below sets out the total stock of Foshan logistics market in selected years.

The Total Stock of Foshan Modern Logistics Property Market (2015-2025)

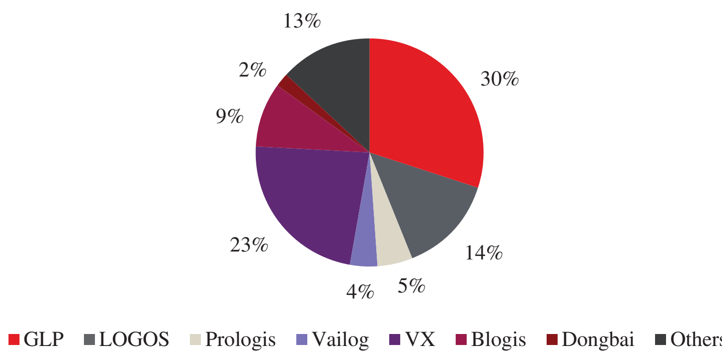


Source: JLL

Major players in the market include GLP, LOGOS, Prologis, VX (萬緯) and etc.. International operators have set their footprints in Foshan market and grab a large portion of market shares, domestic operators stand as minority.

The chart below sets out key landlords of logistics property and respective market share in Foshan.

Key logistics property landlords and their market shares in Foshan (4Q2020)

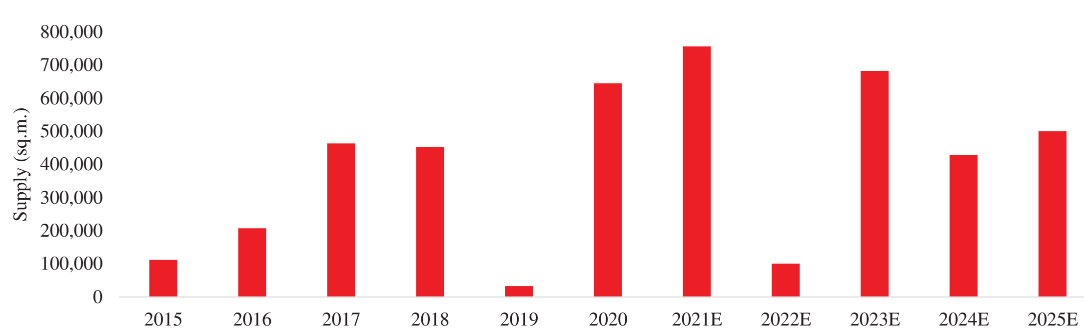


Source: JLL

2.3. Supply

It is witnessed that the annual supply of logistics property in Foshan went in volatility from 2015 to 2020. Being aware of 50% urban land use tax deduction on the land supply for logistics valid from 2017 to 2022 in Foshan, developers and investors expedite their inputs on storage facilities. While it is found less land volume for 2022's logistics property developments causes a severe decline in 2022. Based on logistics property land transactions and long-term logistics planning, the aggregate logistics property supply in 2021-2025 will come to over 2 million sq.m.. At the end of 2020, the Foshan Property was the 6th largest (by Gross Floor Area) modern logistics property in the Nanhai District of Foshan and the 16th largest in Foshan.

The Annual Supply of Foshan Modern Logistics Property Market (2015-2025)



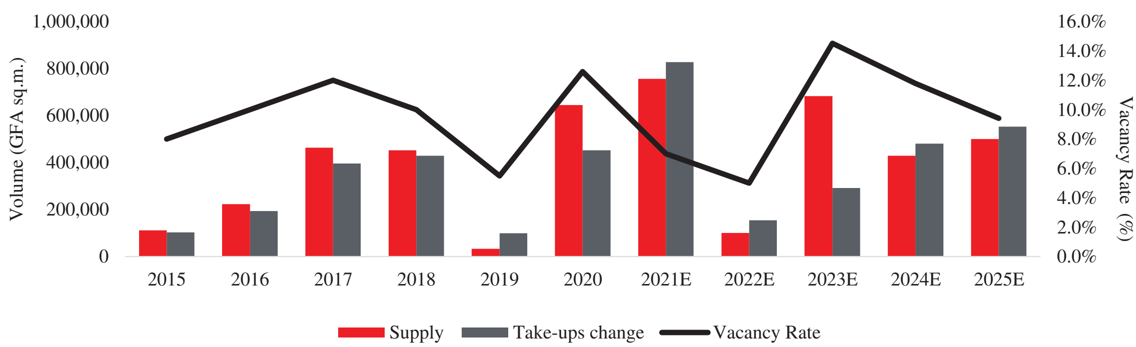
Source: JLL

2.4. Vacancy Rate

The vacancy rate of Foshan's logistics property market is at a low level in the past five years. Stimulated by 3PLs, e-commerce, local manufacture industry as well as industries transferred from Guangzhou, demand for logistics property kept rising in the past five years. The annual vacancy rate was below 10% after 2018 and saw a increase to be 12.6% in 4Q2020.

As for numerous local supply versus strong demand in Foshan, the vacancy rate will be fluctuated in the foreseeable future. The chart below sets out supply and vacancy rate of Foshan modern logistics property market from 2015 to 2025.

Modern logistics property supply and vacancy rate (2015-2025)

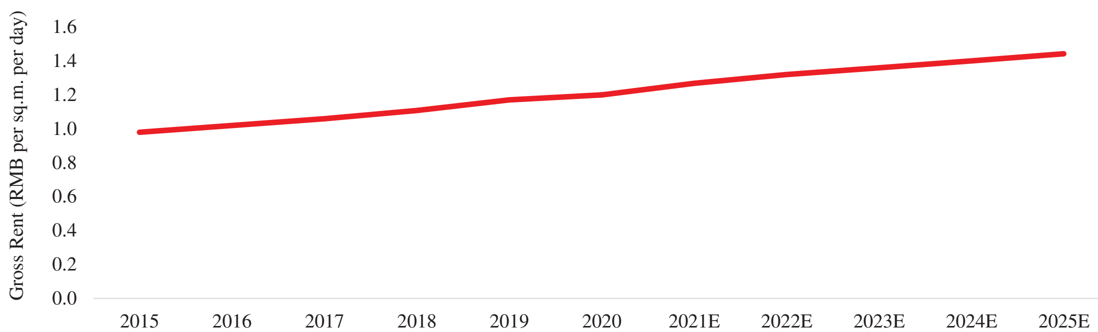


Source: JLL

2.5. Rent

The rental performance of Foshan's logistics property market saw a positive trend in recent years. The rental has enjoyed a stable growth at approximately 4.0%-5.0% annually from 2015 to 2020 with the help of emerging logistics property demand. 3PL, retail and e-commerce tenants in this area are in need for high-end logistics facilities and are capable to pay higher rent. As a result, the rental goes up to be around RMB1.20 per sq.m. per day in 4Q2020. It is anticipated that the trend of rent growth will maintain in the mid-to-long term. By 2025, the vacancy rate will fall further to 9.4%, while rent will continue to rise to approximately RMB1.44 per sq.m. per day.

The Gross Rent of Foshan Modern Logistics Market (2015-2025)



Source: JLL

2.6. Demand

Developing as the satellite city of Guangzhou, Foshan has a stout demand for the logistics facilities. Moreover, the synergetic development of cities in GBA and the consolidation of manufacturing sector in Foshan are acting as significant backup forces for the market.

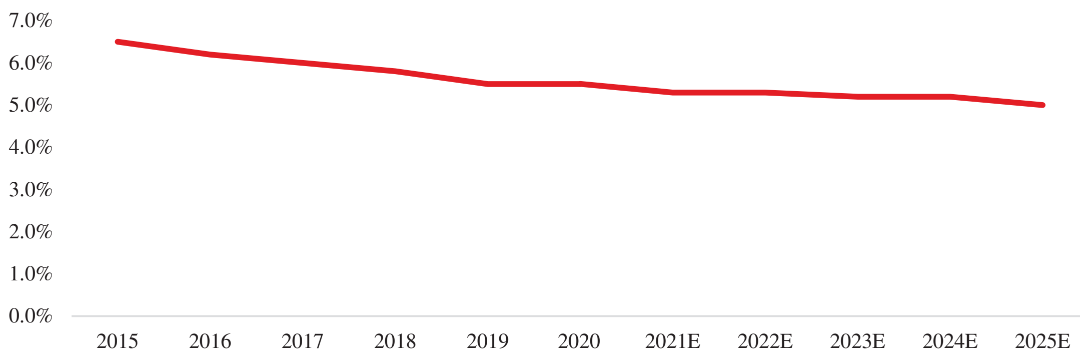
In terms of tenant, 3PL, manufacturers, retailers and e-commerce sectors are expected to remain dominance of the rental demand in the future. Especially, 3PL tends to be anchor tenants of a growing number of logistics projects in recent years. The launch of inner-cycle strategy in domestic might also be helpful for the recovery of demands from manufacturers. From 2016 to 2020, the demand for modern logistics properties in Foshan has risen with an average year-on-year growth rate of 38.5%, with the average annual vacancy rate of such properties being 10.0% as at the end of 2020.

2.7. Capital Market

(a) Capitalisation Rate

Thanks to the growing maturity and transparency of the logistics property market in Foshan, market risk and required yield decreased during the period of 2015-2020. Moreover, with no major transaction in en-bloc modern logistics property since 2019, the capitalisation rate remained stable at around 5.5%. In the future, the rate will be compressed in a moderate decline.

Capital Rate of Foshan Modern Logistics Property (2015-2025)

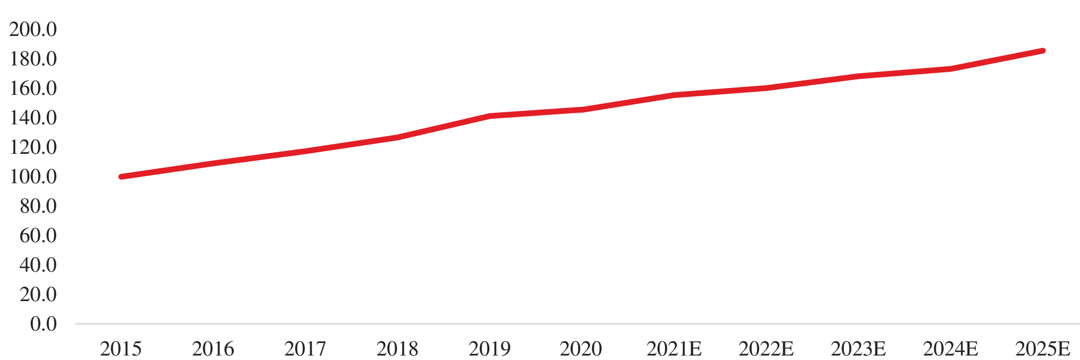


Source: JLL

(b) Capital Value

There is a rising trend of capital value caused by the upward rental rate and the compressed capitalisation rate. Considering that the investment activities was active in GBA and the market has a high degree of openness for both domestic and international investors, the indicator features a growing line since 2015. In 2020, the growth of indices slowed down but still positive. From long-term insights, the capital value indice will reach 191 in 2025 with a positive prediction of capital market environment.

Capital Value Indices of Foshan Logistics Property (2015-2025, 2015=100)



Source: JLL

2.8. *Outlook*

The development of logistics industry in Foshan is promising with the supports from several respects. Firstly, from the perspective of macro environment, Foshan is a key member of GBA and one of major players in manufacture and commerce industries around China. Detailed planning and proposals at both provincial and municipal levels are put forward the integration of Foshan and Guangzhou. Foshan also plans to improve its infrastructure network around major transportation hubs such as Guangzhou South Railway Station and Foshan Port. Such improvements provide a solid foundation for logistics industry. Secondly, the city will enhance its manufacture and commerce industries by improving transportation infrastructure and attracting capital resources spillover from Guangzhou and other cities of GBA. These movements will lead to increasing amount of both supply and demand for logistics market. In conclude, the city is expected to keep a low 9.4% vacancy rate with nearly RMB1.44 per sq.m. per day for renting in 2025.

2.9. *Comparable Transactions*

(a) Sales Transactions

The table below sets out sales transactions with logistics property usage recorded during 2015-2Q2020.

Property	Building Year	Transacted Date	Transacted Price *(HKD million)*	GFA *(sq.m.)*	Unit Price *(RMB/sq.m., GFA)*	Owner/ Buyer	Seller
Foshan Hecheng Industrial Property	–	Oct-20	7.2	27,874	2,584	Foshan Nanhai Xiqiao Hengsheng Fine Packing Factory	Le Saunda Holdings
1 Huafu Road	–	Aug-20	22.9	61,040	3,744	Guangzhou Langbeini Textile Co Ltd	Liquan Huang
Vailog Foshan Datang Logistics Park	2017	Nov-18	N/A	98,880	N/A	Allianz RE APAC	Gaw Capital, SEGRO
GLP Portfolio (incld. Foshan)	–	Jan-18	N/A	N/A	N/A	Hillhouse Capital, Bank of China, Hopu Investment, SMG Eastern, China Vanke	GLP

Source: JLL

(b) Leasing Transactions

The table below sets out leasing transactions with logistics property usage recorded during 2015-2020.

Property	District	Quarter	Year	GFA *(sq.m.)*	Gross Rent *(RMB/sq.m./ mth, GFA)*	Tenant	Type
GLP Sanshan Logistics Park	Nanhai	2Q	2020	5,000	38	BMW	Expansion
GLP Shunde Logistics Park	Shunde	3Q	2018	3,000	36	Best Express	Relocation
LOGOS Nanhai Park	Nanhai	3Q	2017	80,000	33	JD	New-letting

Source: JLL

2.10. Individual Asset Analysis

(a) Competitive Analysis and Competitive Positioning

The subject is located at Shishan town, Nanhai district, where it enjoys a comfortable location for operation. It is about 15 kilometres away from Foshan Shadi Airport and 17 kilometres away from Foshan West Railway Station.The straight line from the subject to Guangzhou Railway Station is around 23 kilometres which is the largest high-speed railway station in the Southern China, and to Guangzhou Baiyun Airport is around 28 kilometres, which is one of the biggest aviation transportation hubs in the PRC, costing 60 mins and 55 mins by road respectively.

Foshan has a high concentration of logistics property, creating a relatively fierce competitive environment for the subject. In Nanhai, the district has already concentrated major players such as GLP, LOGOS, VX and etc. because of its convenience and economic prosperity. The subject is positioned as a distribution centre for SF and other affiliated entities to avoid intense competition in the market. The subject is equipped with intelligent technology such as Cross-Belt Sorters and Automated Guided Vehicle (AGV) to improve the efficiency of logistics activities, making it a leader in adopting advanced distribution system.

(b) Performance Analysis

The subject is a modern logistics property designed with over 84,000 sq.m. for leasehold use. It comprises: (a) a ramp-up three-storey distribution centre; and (b) an ancillary building. It is equipped with intelligent technology and built-to-suit facilities, such as automatic sorting and supply chain support facilities, to house the needs of its single logistics tenant. Before its completion, the subject was already wholly reserved by SF Express Foshan Branch to use as a distribution centre, with a lease term of five-year term end at 3Q2025. The contracted rent is around RMB0.94 per sq.m. per day with an annual growth rate of 4%.

The Subject	
Total GFA Area (m^2)	84,891
No. of storey	3
Year of completion	2020
Occupancy rate (at 31st December 2020)	Reserved by SF Express Foshan Branch and will fully occupied
Rent (RMB/sq.m./day, excl. tax and management fee, at 31st December 2020)	RMB0.94/sq.m./day

(c) SWOT Analysis

Strengths	**Weaknesses**
• Prime location • Stable connection with the tenant • Professional management by SF Express • Equipped with intelligent technology	• Sole tenant might reduce SF's speaking power on negotiation
Opportunities	**Threats**
• Integration of Guangzhou-Foshan • Intense communication with other Greater Bay Area cities • High expectancy of warehouse capital appreciation	• Fierce competition of local logistics market

Source: JLL

(d) Performance Outlook

It is anticipated that the subject will be long-term leased and fully occupied by SF Express, the affiliated entity of the operator. Compared with other parks, the market performance of the subject is predictable and in a steady growth for a long-term cycle.

(e) Overview of Comparable Projects

There are two comparables operated by logistics giants who provide similar functions for tenants, namely GLP Shunde (Chencun) Logistics Park and LOGOS Nanhai Park.

GLP Shunde (Chencun) Logistics Park was opened in 2017 when the phase I completed. After the phase II opening in 2018, the total land area of this park reached around 167,898 sq.m. with 6 modern standard logistics properties. With the help of its global network, the park attracts renowned 3PLs, retailers such as SF, Best Express, CPLOTUS and AEON for storage and local distribution. As for performance, the park stays almost fully occupancy rate with strong demands and an outstanding rent of around RMB1.4 per sq.m. per day with around 5% annual growth. Compared with the subject, the park is not yet equipped with intelligent distribution system so its attraction to 3PLs tenants might deteriorated.

GLP Shunde (Chencun) Logistics Park	
District	Shunde
Area (m^2)	167,898
Vacancy Rate	0%
Rent (RMB/sq.m./day, excl. tax and management fee, as at 4Q2020)	1.3-1.5
Key Tenants	SF, Best Express, CPLOTUS, AEON

Source: JLL

LOGOS Nanhai Park is a 171,993 sq.m. modern logistics property project operating since 2016. LOGOS' shareholders include ARA Asset Management, Ivanhoé Cambridge who can provide global experiences on logistics property operation. The park consists of six standard logistics properties with the ten-metres height. JD.com has a large rental area in the park, while others belong to 3PL such as STO Express, EBON, Sinotrans and etc.. With a stable tenant profiles, LOGOS Nanhai Park showed a steady performance with vacancy rate under 5% and rental rate around RMB1.3 per sq.m. per day in 4Q2020. The growth rate is around 5% annually. However, the park is not close to any highway or quick-speed road which can lead to an inefficiency of cargo distribution.

LOGOS Nanhai Park	
District	Nanhai
Area (m^2)	171,993
Vacancy Rate	2.9%
Rent (RMB/sq.m./day, excl. tax and management fee, as at 4Q2020)	1.3
Key Tenants	JD, STO Express, EBON, Sinotrans

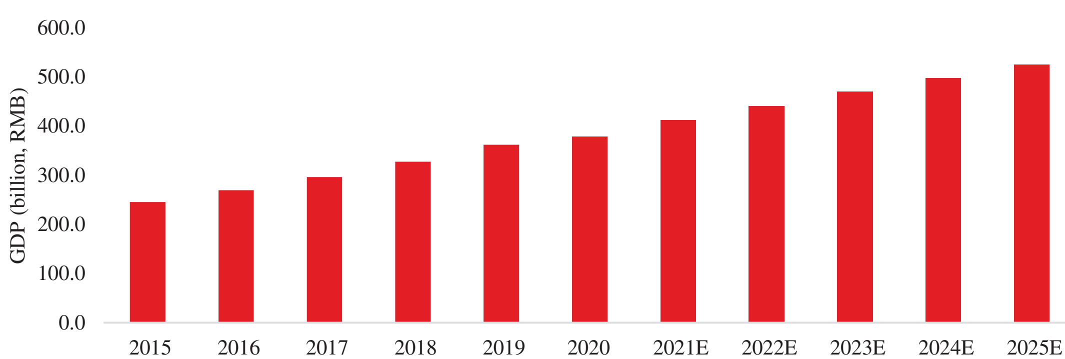
Source: JLL

3. WUHU CITY

3.1. Overview

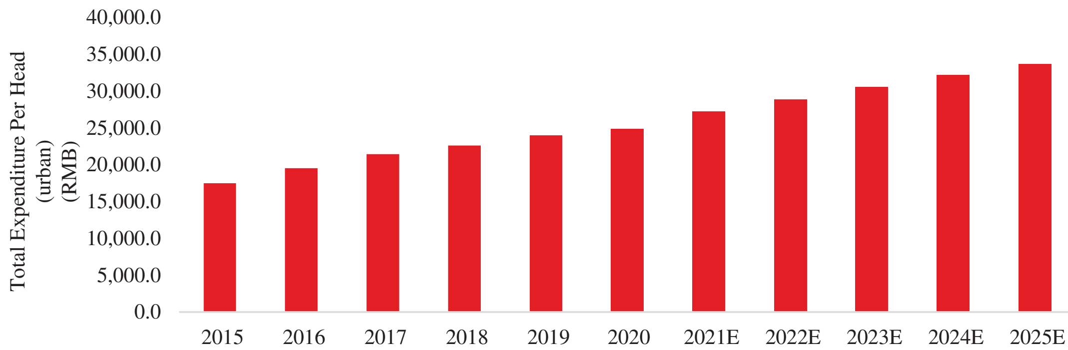
Wuhu is a prefecture-level city in south eastern Anhui province of the PRC. Sitting on the southeast bank of the Yangtze River, Wuhu borders Hefei to the northwest and is approximately 90 kilometres southwest of Nanjing, the provincial capital of Jiangsu. From 2015 to 2020, Wuhu saw stable GDP increased at a CAGR of approximately 9.1% and it is expected to grow at a CAGR of approximately 6.7% during 2020-2025. As of 2019, the city had a population of approximately 3.77 million of permanent residents.

Nominal GDP of Wuhu City (2015-2025)



Source: JLL

Total Expenditure Per Head (urban) of Wuhu City (2015-2025)



Source: JLL

(a) Competitive Landscape

A Manufacture-oriented City

Wuhu has competitive capabilities in automobile and mechanical, materials, electronics and cables. The city also fosters strategic emerging manufactory industries including robotics, new energy vehicles and general aviation. It is expected that new manufacturing pillars would connect with comprehensive industrial chains nationwide and drive the growing demand for logistics industry.

The Transportation Hub in Yangtze River Economic Belt

Wuhu enjoys a modern location in the east of China. With advanced highway, railway and shipping networks, the city has been positioned as a national transportation hub in the Thirteenth Five-year Modern Comprehensive Transportation System Development Planning (“十三五”現代綜合交通運輸體系發展規劃). The comprehensive transportation system could promote the status of Wuhu logistics market.

Wuhu links with Nanjing, Shanghai, Hangzhou, Wuhan and Hefei by a highway system of “Two Rings and Nine Lines”. The density of this network reaches 4.71 kilometres per hundred square kilometres, ranking 2nd in Anhui province. Benefit from the Shangqiu-Hefei-Hangzhou High-speed Railway opened in June 2020, Wuhu stands in the four-hour life cycle of Beijing and one-and-half-hour life cycle of Hangzhou. It is now operating operates 7 high-speed railway station and the first city in Anhui province to link rural, suburban and urban districts with high-speed railway.

As one of 28 major river ports in China, Wuhu Port lies by the lower reach of Yangtze River. Wuhu aims to be the container distribution centre in the lower reach of Yangtze River and operates high-level route line of 190.3 kilometres.

Integration into Yangtze River Delta and Anhui Free Trade Area

According to Outline Of the Integrated Regional Development Of The Yangtze River Delta (長江三角洲區域一體化發展規劃綱要), Wuhu plays an important role for the development of Yangtze River Economic Belt and a central city of south Anhui province.

Moreover, Wuhu is an indispensable member of Anhui Free Trade Area. According to China (Anhui) Pilot Free Trade Area General Plan (中國(安徽)自由貿易試驗區總體方案), the logistics related area in Wuhu will involve in domestic and "One Belt One Road" markets.

(b) Logistics Real Estate Industry

Started late in Wuhu, the logistics real estate industry has expanded remarkably recent years. With the benefit of modern location and supportive policies, Wuhu has attracted many of well-known operators entering such as GLP, Pingan, SF and Yupei. The logistics giants bring experiences of operating modern logistics properties and also attract famous tenants from 3PL, manufacture and retail to settle down. From the side of demand, e-commerce distribution and manufacturing product storage contribute most of modern logistics property requests.

According to the Layout and Construction Plan of National Logistics Hubs (國家物流樞紐佈局和建設規劃) published in 2018, Wuhu is positioned as one of port-oriented national logistics hubs. Nevertheless, Wuhu is encouraged in the Outline of the Integrated Regional Development of the Yangtze River Delta (長江三角洲區域一體化發展規劃綱要) to construct Wuhu-Maanshan River-Sea Joint Transportation Node. The preliminary plans provide brilliant scenarios for Wuhu logistics real estate industry which needs to join positively in the development of the Yangtze River Delta and strengthen competitive edges of location and development advantages.

(c) Government Policies

Recent policies for logistics industry in Wuhu are as below:

Policies	Issued Body	Issued Date	Key Points
About Opinions of Supporting Private Enterprises Accelerating Reform Development and Transition Upgrading	National Development and Reform Commission and other 5 ministries	2020.10.23	To lead local governments to settle investment intensity, tax contribution as well as other limitations properly; to encourage long-term land leasing to secure logistics land supply
About Continuing Urban Land Use Tax Deduction of Commodity Storage Facilities Land for Logistics Companies (《關於繼續實施物流企業大宗商品倉儲設施用地城鎮土地使用稅優惠政策的公告》)	Ministry of Finance/State Taxation Administration	2020.03.31	To continue implementing the policy that of waiving and deducting 50% Urban Land Use Tax of Commodity Storage Facilities Land for Logistics Companies
Outline of the Integrated Regional Development of the Yangtze River Delta (《長江三角洲區域一體化發展規劃綱要》)	The Communist Party of China Central Committee/the State Council of China	2019.12.01	To support developments of highspeed railway express and e-commerce railway express; to construct Wuhu-Maanshan River-Sea Joint Transportation Node

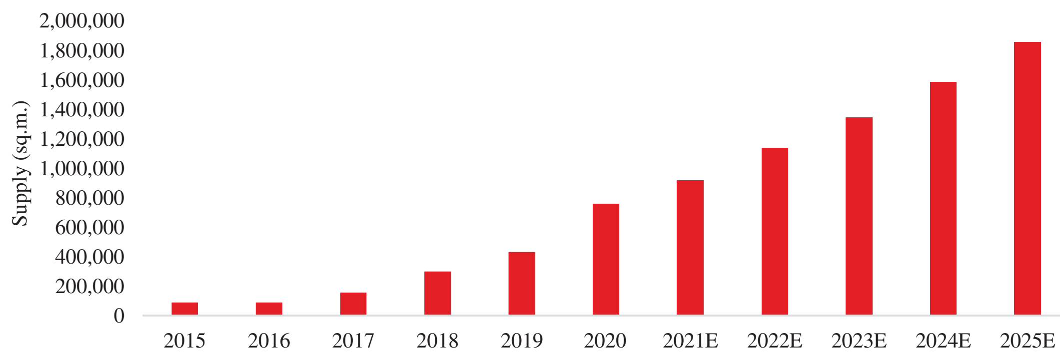
Policies	Issued Body	Issued Date	Key Points
About Opinions of High Quality Developments for Modern Service Industry (《蕪湖市人民政府辦公室關於現代服務業高品質發展的實施意見》)	Wuhu People's Government	2019.01.10	To encourage modern logistics companies bigger and stronger. When annual revenue of a logistics companies reaches RMB20 million and tax paid reaches RMB1 million for the first time, the company will receive 40% of the company's contribution to local economy
About Opinions of Promoting Developments for Express Industry (《關於促進快遞業發展的實施意見》)	Wuhu People's Government	2018.01.12	To promote "Express Industry Chain", and develop China Express Technology Innovation Base; to develop China Express Key Node City which is focusing on south of Anhui and east-central China
Policies for Promoting Modern Service Industry Development in Wuhu (《蕪湖市促進現代服務業發展政策》)	Wuhu People's Government	2017.06.22	To encourage to attract and enlarge modern logistics enterprises (parks); to foster modern logistics brands; to support express industry developments

3.2. Stock

As a developing market, the total stock of Wuhu market is around 0.76 million sq.m. in 2020. Considering about lacking of modern logistics properties before 2015, the stock has increased significantly since 2015. The market size will be expanded along with the plan of Yangtze River Economic Belt and Anhui Free Trade Area being settled down.

Throughout integration into Yangtze River Economic Belt and increasing inter-city exchanges, Wuhu has attracted logistics giants such as SF, GLP, Pingan and Yupei to invest in this key node city along with Yangtze River. Greenland as a newcomer will also join in the market to extend its logistics business with a project completed in 2021.

The Total Stock of Wuhu Modern Logistics Property Market (2015-2025)



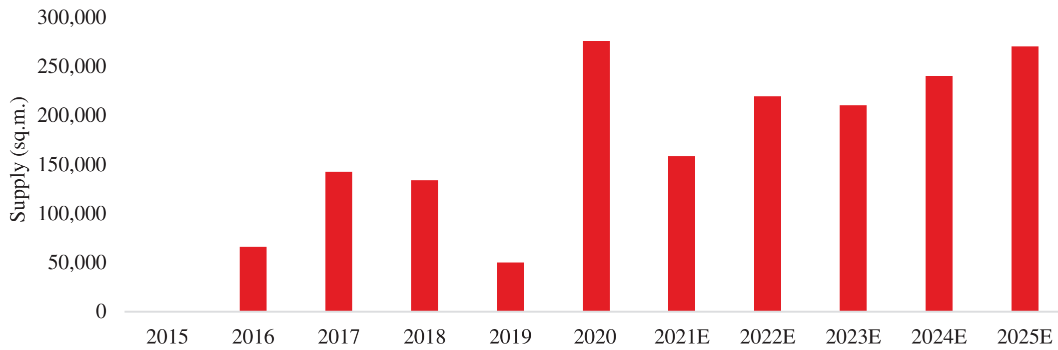
Source: JLL

3.3. Supply

The insufficient stock of Wuhu's logistics properties before 2015 caught the attentions of investors so the annual supply thereafter grew quickly and reached the peak in 2017. New supply was mainly located in Wuhu Economy Development Area (WEDA), Jiuijiang Economy Development Area (Jiujiang EDA) and Sanshan district. However, limited by the mild increase of demand, the annual supply dropped down with a rational growth rate.

Wuhu moves in a fast pace to build a moat of manufacturing and logistics chains by deepening its cooperation with other players in Yangtze River Delta Economic Region. As a result, it is anticipated that the annual supply will be corresponding to the need of Yangtze River Economic Belt where there supposed to have consistent logistics communication in the long-term future.

The Annual Supply of Wuhu Modern Logistics Property Market (2015-2025)



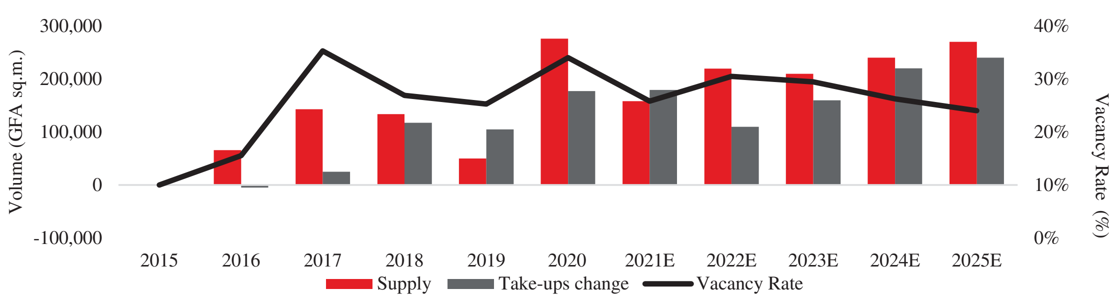
Source: JLL

3.4. Vacancy Rate

The overall vacancy rate level of logistics property in Wuhu has fluctuated from 2015 till now and has coincided with the change of annual supply. Affected by the mass supply in 2017, the vacancy rate hit as high as approximately 35.3%. The vacancy rate is likely to stay at approximately 30% due to large supplies over regular demand at the same time and move downwards along with upward demand after 2020.

The chart below sets out supply and vacancy rate of Wuhu modern logistics property market from 2015 to 2025.

Modern logistics property supply and vacancy rate (2015-2025)

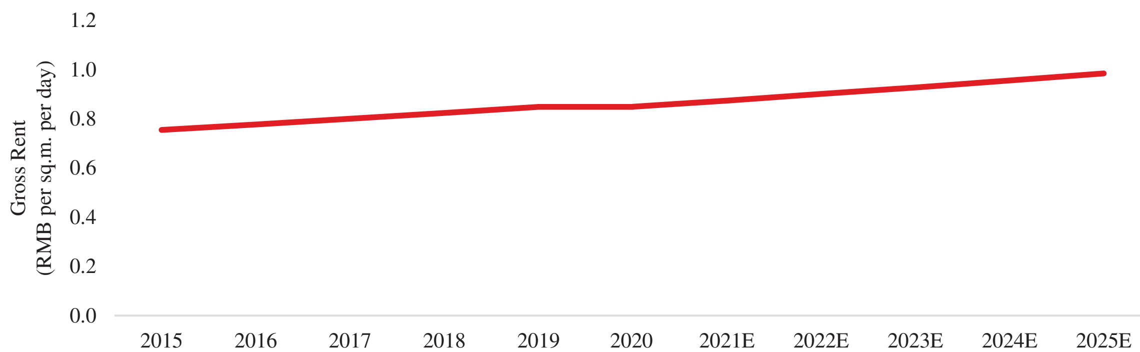


Source: JLL

3.5. Rent

Overall speaking, the rent level of Wuhu's logistics property market remained increasing since 2015 with a relatively slow speed because of the oversupply and a lack of tenants with higher rent affordability. In the meanwhile, in this emerging market, operators such as GLP, Yupei tended to improve their shares and attract high quality tenants by a strategy of low-price. Until 4Q2020, the rent level remained to be around RMB0.85 per sq.m. per day. Considering about promising demand in Wuhu area, the growth rate of rental will stay at a moderate level.

The Rent of Wuhu Modern Logistics Property Market (2015-2025)



Source: JLL

3.6. Demand

Generally, the rental demands of Wuhu's modern logistics property market mainly come from traditional manufacturing industries including automobile, electronics and furnishings. However, such demand has shown its sign of decline with weakening rental capability and downsize strategy. On the other side, e-commerce and third-party logistics sectors have also established and expanded their presence in Wuhu, further driving demand for logistics and warehousing facilities, especially after the COVID-19 outbreak which boosted logistics demand by constraining consumers to shop online and express to home. In the short-term future, demand could be vigorous and it is predictable to set its footprint into Wuhu.

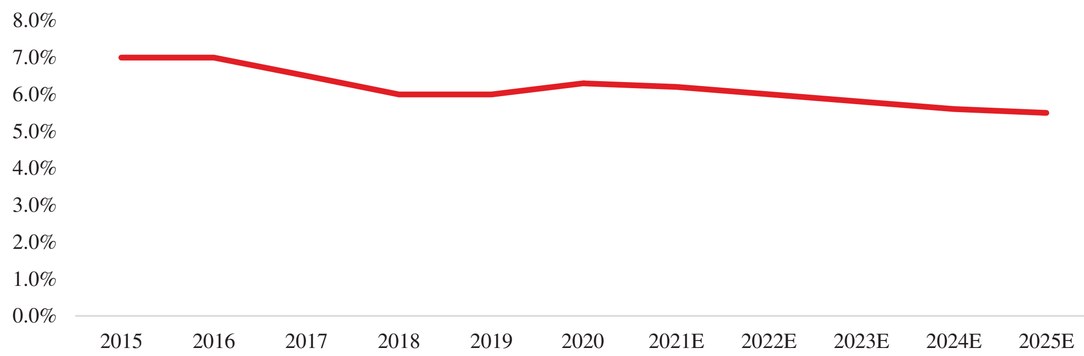
As for the long term, Wuhu might rely on its integration with YRD and the supporting policy of free trade area to explore further demands for the development of logistics property market. On the one hand, the deepening cooperation between cities of YRD will contribute to the restructure of regional industries. Wuhu therefore can benefit from the transfer of industry from higher-tier cities and to undertake the consequent logistics property demands. On the other hand, the improvement of Wuhu's city position in the region is beneficial for the upgrade of traditional manufacturing industries, who might become a kind of competitive tenants again and also boosts the development of 3PL companies who gradually raises the prominent demand for Wuhu modern logistics properties.

3.7. Capital Market

(a) Capitalisation Rate

The capitalisation rate for modern logistics property in Wuhu remained stable in recent years. Considering the lower level of maturity of Wuhu's market during 2015-2017, a high compensation risk was added for the market uncertainty which lifted up the figure to be as high as 7.0%. As the logistics market expanded to reach its boundary in 2018, the capitalisation rate showed a slightly drop. It is observed that the exposure of COVID-19 has moderate effect to the market and the capitalisation rate is expected to be about 5.0%–6.0%.

Capitalisation Rate of Wuhu Modern Logistics Property Market (2015-2025)

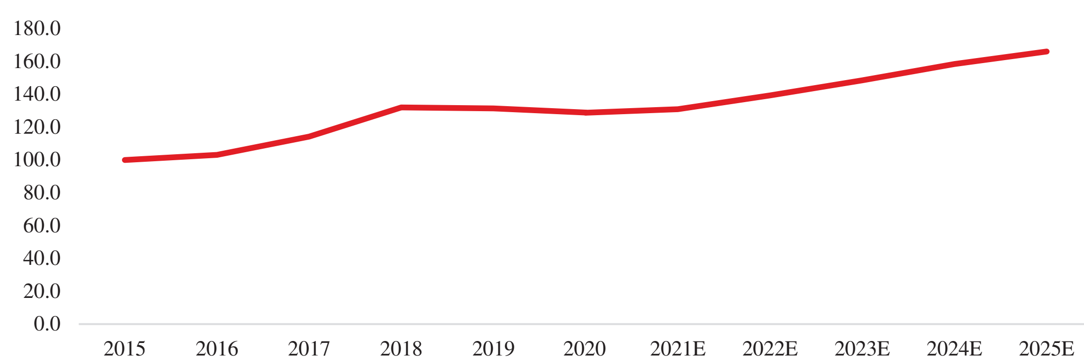


Source: JLL

(b) Capital Value

In correspond to the change of capitalisation rate, capital value saw an upward trend during 2015-2017 and become stable after 2018. The indice reached 129 in 2020 and will start to increase to 166 in 2025.

Capital Value Indices of Wuhu Modern Logistics Property Market (2015-2025, 2015=100)



Source: JLL

3.8. Outlook

Wuhu is a promising city in the low reach of Yangtze River. Considering its prime location and innovative manufacturing foundation, Wuhu gains the potentials of developing logistics and professional storage services. Moreover, Wuhu will play a more important role in the Yangtze River Delta area upon joining the integration of Yangtze River Delta and Anhui Free Trade Area. Such policy preference will be beneficial for the increase of rental level and the decrease of vacancy rate. From the supply side, it is anticipated that the specialisation of Wuhu logistics property market grows higher as a growing number of logistics operators set their footprints in the city.

3.9. Comparable Transactions

(a) Sales Transactions

The table below sets out sales transactions with logistics property usage recorded during 2015-4Q2020.The transacted price is not available due to undisclosed transaction information.

Property	Building Year	Transacted Date	Transacted Price *(HKD million)*	GFA *(sq.m.)*	Unit Price *(RMB/sq.m., GFA)*	Owner/Buyer	Seller
GLP Portfolio (incld. Foshan)	–	Jan-18	N/A	36,999	N/A	SMG Eastern, China Vanke, Bank of China, Hillhouse Capital, Hopu Investment	GLP
Wuhu Yupei Logistics Park	2014	Jul-16	N/A	88,367	N/A	Shanghai Yupei Group	Carlyle Group/ The Townsend Group

Source: JLL

(b) Leasing Transactions

The table below sets out selected leasing transactions with logistics property usage recorded during 2015-4Q2020.

Property	District	Quarter	Year	GFA *(sq.m.)*	Gross Rent *(RMB/sq.m. /mth, GFA)*	Tenant	Type
Pingan Wuhu EDA Logistics Park	Jiujiang	4Q	2019	10,000	26	JD	Relocation
GLP Wuhu Logistics Park Phase II	Jiujiang	4Q	2017	5,000	24	Deppon	Relocation
Yupei Sanshan Logistics Park (Cold Chain)	Sanshan	2Q	2016	1,500	38	Shuanghui	New Letting

Source: JLL

3.10. Individual Asset Analysis

(a) Competitive Analysis and Competitive Positioning

The subject is located in Jiujiang district and its proximity to key transport on hubs is helpful for logistics and distributions. The subject is at a distance of 1 kilometre away from Ningwu Expressway (East) Station, 6 kilometres from Wuhu East High Speed Railway Station and 9.8 kilometres from Wuhu International Cargo Port. Also it is close to Ning Wu Highway which connects the north and south parts of the Yangtze River Delta Economic Region, by a 2.2 kilometres straight line.

Jiujiang governs 820 square kilometres which consists of Wuhu Economic Development Area, Jiujiang Economic Development Area. As the political centre, cultural centre and financial centre of Wuhu city, Jiujiang enjoys a convenient location to develop automobile and high-end manufacturing. Most of well-known modern logistics properties (about 65% of total market) are located at Jiujiang district, creating a fierce competition for the subject.

Considering stapled demand from 3PL for local distribution, the subject is designed to be compatible with distribution functions. However, most of competitors in the area focuses on normal freight and e-commerce storage. Most of them are equipped with facilities for common use. Thus, it can be costly for a tenant to redesign the logistics property for its customised demand, such as distribution centre with modern functions.

(b) Performance Analysis

The subject, a modern logistics property, started operating in early November 2018 and catch up the "Double Eleven" online shopping festival of the year. The total GFA of the subject is around 62,304 sq.m., consisting one distribution centre, one block of office building, number of logistics properties, dorms and other facilities. It comprises (a) two single-storey high standard warehouses; (b) a two-storey distribution centre equipped with automatic sorting and supply chain support facilities; (c) a research and development building; and (d) two ancillary buildings. The detailed sizes of distribution centre, office building, logistics properties and affiliated facilities are 22,567.77 sq.m., 9,192.81 sq.m., 29,972.98 sq.m. and 570.6 sq.m. separately. In terms of Gross Floor Area as at the end of 2020, the Wuhu Property ranked the 4th among the modern logistics properties in Wuhu.

The subject has attracted a diversified tenant profile covering SF affiliated entities, e-commerce operators and 3PLs. Specifically, partial area of distribution centre (about 55% in total) was firstly leased by SF Express in 2018 and the ratio climb to be approximately 100% in 4Q2020. There are two logistics properties fully taken by Joybos, an online furniture retailer, since the very beginning. The office building was for internal use before 2019 and after its official openness to the market, the vacancy rate reached 88% in 4Q2020.

As of 4Q2020, the rent of distribution centre reached nearly RMB0.98 per sq.m. per day, overperforming the overall market of Wuhu. Besides, rents of logistics properties and office building recorded recorded RMB0.54 per sq.m. per day and RMB0.57 per sq.m. per day respectively. The growth rate was stable and locked at around 5% until now.

The Subject	
Total GFA Area (m^2)	62,304
No. of storey	2 in distribution centre; 1 in warehouses; 6 in office building; 1 in affiliated facilities
Year of completion	2018
Occupancy rate (at 31st December 2020)	100% in distribution centre; 100% in warehouses; 88% in office building
Rent (RMB/sq.m./day, excl. tax and management fee, at 31st December 2020)	0.98 RMB/sq.m./day in distribution centre; 0.54 RMB/sq.m./day in warehouses; 0.57 RMB/sq.m./day in office building

Source: JLL

(c) SWOT Analysis

The SWOT analysis for the subject is as follows:

Strengths

- Prime location
- Mixed real estate product portfolio
- Professional management by SF Express
- Secured tenant sources

Weaknesses

- Comparatively small size on GFA

Opportunities

- Potential demands from the Anhui Free Trade Area and Yangtze River Delta Integration

Threats

- Fierce competition in the area
- Unstable local logistics demand

(d) Performance Outlook

Based on the SWOT analysis, the subject gains strengths from mixed product portfolio compared with other single-use projects. The subject also has constant tenant sources especially from affiliated entities with long-term letting. In other words, the subject will have a comparatively low operational risk and is capable to make a steady growth onwards.

To cope with any changes of the market at any time, SF Express and SF Freight have secured the storage and dispatch areas of distribution centre and warehouses, maintaining a low level of vacancy rate for these two properties. On the other hand, the office building will also be fully occupied by logistics related industries with an expectation on the growing demand on local office leasing. To sum up, the overall rental growth of the subject will remain at approximately 5% per annum in the short-to-mid-term period.

(e) Overview of Comparable Projects

There are two comparable projects in the vicinity of the subject, namely GLP Wuhu Logistics Park and Pingan Wuhu EDA Logistics Park. The two comparables are both located within 5 kilometre radius of the subject and developed by well-known operators.

GLP Wuhu Logistics Park was opened in 2016 when its phase I completed. The total GFA of the park is over 150,000 sq.m. after the completion of phase II and phase III. Just like other GLP parks in China, GLP Wuhu Logistics Park is positioned as a high standard logistics property to attracts 3PLs, e-commerce retailers and manufacturing sectors. The market performance of the park was robust with a rental rate of nearly RMB0.9 per sq.m. per day and 95% occupancy rate as of 4Q2020. Compared with the subject, GLP Wuhu Logistics Park is expert in marketing due to its global network but with fewer functions. It is also lack of long-term local partners or affiliated tenants to diversified the market risks.

GLP Wuhu Logistics Park	
District	Jiujiang
Area (m^2)	153,000
Vacancy Rate	5%
Rent (RMB/sq.m./day, excl. tax and management fee, as at 4Q2020)	0.9
Key Tenants	Deppon

Source: JLL

Pingan Wuhu EDA Logistics Park was completed in 2017 with around 103,721 sq.m. GFA. Pingan, a cross-border developer, who started its investment in enormous logistics properties projects of tier-2 and tier-3 cities in recent years, is a newcomer for Wuhu. Pingan Wuhu EDA Logistics Park is positioned as a high standard logistics property mainly for 3PLs and e-commerce retailers, such as JD.com. However, performance of the project is questioned considering the less experience of Pingan in logistics market. Vacancy rate of the project stayed at around 60% since 2017 and the rent was RMB0.87 per sq.m. per day as at 4Q2020. It also has a disadvantage on securing the stable and high-quality tenants for the long-term operation.

Pingan Wuhu EDA Logistics Park	
District	Jiujiang
Area (m^2)	103,721
Vacancy Rate	40%
Rent (RMB/sq.m./day, excl.tax and management fee, as at 4Q2020)	0.87
Key Tenants	JD

Source: JLL

LIMITING CONDITIONS

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The information and analysis in this report should be regarded solely as a general guide instead of a formal valuation for any land or property interest. It must not be used as part of such contents.

The information contained in this report has been obtained from a variety of sources generally regarded to be reliable and is considered to be reasonable at the time of undertaking this research. Whilst care has been taken in its preparation, no representation is made, or responsibility accepted by JLL, in respect of the accuracy or timeliness of the whole or any part. Potential investors or developers are encouraged to carry out their own assessment of market potentials or project feasibility.

JLL stressed again that forecasting future sales prices, development and investment returns and development viability is a problematic exercise which at best should be regarded as an indicative assessment of possibilities rather than values with absolute certainties. The process of marking forward projections involves assumptions which are acutely sensitive to changing conditions, variations in any one of which factors may significant effect the viability of a project and JLL draw your attention to this factor. Such conditions external events include but are not restricted to new laws or government regulations, changes of company strategies or policies, innovations of social economic and policies, and other important incidents which have influence on the market.

JLL should not be required to give testimony or attendance in court or to any government agency due to the conclusions on the referenced property, unless prior arrangements have been made. JLL also does not accept any liability in negligence of otherwise for any loss or damage suffered by any party resulting from reliance on this report other than as specified in the contract of engagement.

The following is the text of a letter in relation to its building survey report prepared for the purpose of incorporation in this circular received from Colliers International Agency Limited, an independent building surveyor, in connection with its building survey as at 5 May 2021 of the property interests of the Company.

Colliers International Agency Limited
Company License No. C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

5 May 2021

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

DBS Asia Capital Limited
73/F The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

Re: Building Condition Survey of the SF Logistics Portfolio in Hong Kong Special Administrative Region (Hong Kong S.A.R) and the People's Republic of China (the PRC)

INSTRUCTIONS AND PURPOSE

In accordance with the instructions for us to conduct a building condition survey of the properties in Hong Kong S.A.R and the PRC for the purpose of incorporation in the Offering Circular. The properties are as follows:

1. Hong Kong Property

2. Foshan Property

3. Wuhu Property

This letter provides a summary of our approach and findings. In our role as the Building Condition Surveyor, we:

A. Conducted comprehensive building and building services condition survey of the properties by visual inspection between 15-21 October 2020, and 11 December 2020 for Hong Kong S.A.R and October 19-20 October 2020 for the PRC to confirm the structural integrity of the properties and identify any existing major defects. The survey covers major building elements in accessible areas of the Properties, including building facade, roofs and flat roofs, interior areas, external areas, plant rooms, and etc. It also covers functional inspection to major building services installations including mechanical ventilation, air-conditioning, fire services, plumbing & drainage, electricity and lifts;

B. Inspection of current building layout and usage to review against the latest general building plans approved by Government in order to identify any alteration and addition of structure, any existing or potential hazards, and any deviations in respect of fire safety requirements and usage etc; and

C. Compilation of 10-Year Forecast of Repair, Maintenance and Capital Expenditure of the properties.

CONCLUSION

Based on the findings of our comprehensive building condition survey, we are of the opinion that the Properties are maintained in good condition, consistent with buildings of similar age, type and usage and that there were no material defects that would affect the operation and usage of the properties and/or impede the transfer of the properties.

The repair, maintenance and capital expenditure forecasts were projected on the basis of current local market rates and therefore the future expenditure requirements are comparable with the amounts generally required for the properties of similar age and usage.

No apparent structural defects such as differential settlement of the open ground, structural movement or deflection on the exposed structural building elements of the properties at the time of inspection; the apparent absence of these common structural defects indicates that the properties are structurally safe.

SURVEY CONDUCTED

1. Comprehensive Building Condition Survey

The comprehensive building condition survey for the properties was conducted by Registered Professional Surveyor (Building Surveying) which included a review of the properties covering the building fabric, major structural members, and building services installations in order to verify the current physical condition.

The comprehensive building condition survey comprised a visual inspection of the building façade, roofs and flat roofs, interior areas, external areas, plant rooms etc to appraise the overall condition and state of repair. Current building layout and usage were inspected and reviewed against the latest general building plans approved by Building Authority for Hong Kong S.A.R and approved as-built drawings for the PRC in order to identify any unrecorded alteration and addition of structure, any existing or potential hazards, and any deviations in respect of fire safety requirements and approved usage etc.

The purpose of the building condition survey is to identify (a) structural soundness, (b) building layout, (c) health and safety, (d) building defects and (e) building services defects. Findings of the survey are as follows:

(a) Structural Soundness – No major structural defect was found.

(b) Building Layout – No major building layout change was found at the inspection which involves any structural changes. Few common irregularities and deviations from the approved building records identified in Property 1 such as Non-Conforming Carpark Matters, Non-Conforming Office Matters and Miscellaneous UBW Matters. Based on the current building layout with reference to the approved building records, no critical non-compliance of health and safety requirements of building was identified at the time of inspection.

(c) Health and Safety – The properties complied generally with relevant health and safety requirements as at the time of inspection.

(d) Building Defects – Overall condition of building elements of accessible common areas and units in development were generally good. No major building defects were found.

(e) Building Services Defects – Major building services installations including mechanical ventilation, air conditioning, fire services, lifts, plumbing and drainage of the Property were generally in good condition.

10-YEAR FORECAST OF REPAIR AND MAINTENANCE EXPENDITURE

A 10-Year Forecasts of Repair, Maintenance and Capital Expenditure for the properties for the 10 years ending at 2030 is prepared which includes the estimated costs of maintaining the properties and associated building services installations. The following methodologies were adopted in preparing the forecasts:

1. The existing condition of the properties noted through our site inspection was taken as the basis of the forecasts.

2. Estimated routine annual maintenance costs were based on the available historical data provided the observed usage pattern and our professional judgment in formulating appropriate maintenance schedules.

3. Estimated costs were based on current market rates, with a notional inflation rate allowed.

4. The estimated expenditure on repairs and maintenance was calculated on the basis of a list of proposed works item, which is cater for maintaining the building usage and condition in consistent with the age of the Premises and maintaining the necessary safety, health and hygiene standards of the properties.

The 10-Year Forecasts of Repair, Maintenance and Capital Expenditure does not include routine daily repair of consumables, maintenance of landscaping areas, any termed maintenance contract on routine maintenance (e.g. lubricants for machinery), accidental damages/force majeure.

A. Hong Kong S.A.R

(HKD in Million)

Repair, Maintenance and Capital Expenditure	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Asia Logistics Hub – SF Centre, Hong Kong S.A.R	1.417	0.172	0.103	0.605	0.106	1.210	1.228	6.410	5.391	6.897

B. The PRC

(RMB in Million)

Repair, Maintenance and Capital Expenditure	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Wuhu Shunfeng Fengtai Industrial (FTI) Park, the PRC	3.707	3.707	3.707	3.855	3.855	3.855	4.010	4.010	4.010	4.170
Foshan Shunfeng Fengtai Industrial (FTI) Park, the PRC	1.716	1.716	1.716	1.785	1.785	1.785	1.856	1.856	1.856	1.930

The capital expenditure figures shown above include building and building services expenditure. Building capital expenditure items include re-roofing, external wall refurbishment and internal area refurbishment etc. Building services capital expenditure items include replacement of major plants and equipment etc.

REPORTS DELIVERED

Reports were prepared in relation to the properties both in the PRC and Hong Kong S.A.R for which comprehensive building condition survey was conducted and included:–

– A detailed description of our findings

– An assessment of the structural soundness of the Properties

– Plans indicating the location of photographs taken

– Photographs of typical defects

– Estimated costs of recommended repairs/replacement

– 10-Year Forecast of Repair, Maintenance and Capital Expenditure for the Premises and its assumptions

– List of information provided to us

– List of outstanding items/information from the Company

We confirm that there is no major outstanding item that is material and would affect our opinion and conclusion in the report.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Company on such matters as building plans, as-built drawings, floor areas, statutory certificates of completion, Ownership Permit (房產證) for Property 2 & 3, Land Registry for Property 1 and all other relevant matters. Dimensions, measurements and areas included in our survey are based on information contained in the documents provided to us and are, therefore, only approximations.

LIMITING CONDITIONS

In preparing the report, we have relied on the information supplied by the Company such as the copy of record plans, statutory certificates of completion, maintenance records, schematic diagrams, test certificates and maintenance and capital expenditure records, which we have supplemented with interviews of staff, and independently verified through physical site inspections and verifications. Where necessary, we have made relevant enquiries and obtained such further information as we consider necessary to allow us to provide you with this report. We have also conducted site inspections and meetings with the staff from the management companies. We have carried out our inspection purely on a visual basis, without testing of any kind to the building fabric and building services system. Parts of the building structure that were not visible without removal of wall finishes or building fabric have not been inspected and no destructive testing has been carried out and we have not inspected the areas which are inaccessible or covered up and we cannot accept any responsibility for the inaccessible areas, concealed parts of the buildings and building services system. However, our visual inspection of the accessible areas of the Properties did not reveal any defects that would lead us to require an immediate inspection of the inaccessible or covered areas at the time of inspection.

Yours sincerely,
For and on behalf of

Colliers International Agency Limited

Colliers Engineering Project Management (Shanghai) Ltd.

Wayne Hallas
Senior Director
Project Management,
Hong Kong S.A.R

Sr Vincent Ho
MA, FHKIS
Registered Professional Surveyor (BS)
Authorized Person, Hong Kong S.A.R

Henry Lin
Director
Project Management,
the PRC

Investors should note that the following statements are based on advice received by the REIT Manager regarding the relevant laws, regulations and practice in the PRC in force as at the date of this Circular and may be subject to change.

REGULATIONS OF FOREIGN INVESTMENT INTO THE REAL ESTATE MARKET

Foreign investment into the PRC real estate market is legally permissible.

Since July 2006, foreign companies and individuals are no longer permitted to directly acquire and hold real estate in the PRC for investment purpose. Rather, a local PRC company, commonly referred to as foreign invested real estate enterprise (“**FIREE**”), must be established to carry out real estate investment. This requirement was established by the Opinions on Regulating the Access to and Administration of Foreign Investment in the Real Estate Market (關於規範房地產市場外資准入和管理的意見) jointly promulgated by the People’s Bank of China (“**PBOC**”), the State Administration for Foreign Exchange (“**SAFE**”) and other authorities on 11 July 2006, pursuant to which an overseas entity or individual investing in real estate in China other than for self-use, must apply for the establishment of a foreign invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorised business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities.

FIREE is one type of foreign invested enterprise. It is subject to the same laws and regulations that generally apply to the foreign invested enterprises in other industries. In addition, an FIREE is not permitted to borrow foreign debts, including borrowing from foreign shareholder or foreign bank. This industry-specific restriction on borrowing was established by the Circular on Further Strengthening and Regulating the Examination, Approval, and Supervision of Direct Investment in Real Estate by Foreign Investors (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) jointly promulgated by the Ministry of Commerce (“**MOFCOM**”) and SAFE on 23 May 2007 and the Circular of the State Administration of Foreign Exchange on Distributing the Administrative Measures for Registration of Foreign Debts (國家外匯管理局關於發佈《外債登記管理辦法》的通知) promulgated by SAFE and effective on 13 May 2013. Specifically, any FIREE established on or after 1 June 2007 is not permitted to register foreign debts with SAFE and is therefore unable to borrow foreign debt, and any FIREE established before 1 June 2007 may still borrow foreign debt to the extent within and permitted by the difference between its total investment amount and registered capital after having satisfied certain statutory conditions.

Compared to other types of foreign invested enterprise, FIREE used to be subject to a higher capitalisation requirement and a more complex and time-consuming two-step government approval process. But these regulatory requirements have been abolished by now.

Since October 2016, the formation, dissolution and major corporate change of an FIREE is no longer subject to approval by the MOFCOM or its local counterparty. The approval has been replaced with a filing for recordal, unless the underlying real estate project is on the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (外商投資准入特別管理措施(負面清單)(2020年版)) jointly promulgated by the National Development and Reform Commission and the MOFCOM on 23 June 2020. Most types of real estate project are not on such list, including logistic properties.

THE LAND AND PROPERTY SYSTEM OF THE PRC

The Land System

All land in the PRC (also the "**State**") is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas is state-owned, and all land in the rural or suburban areas including land for houses and private plots in fields and on hillsides are, unless otherwise prescribed by the state, collectively-owned. The State has the right to expropriate or take over land in accordance with law if required for the benefit of the public. Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organisations are permitted to hold and develop land for which they are granted or allocated land use rights. Furthermore, those who obtain the State-owned land use rights by means of grant (出讓) or assignment (轉讓) can lease the aforementioned land use rights to a third party. In April 1988, the Constitution of the PRC (the "**Constitution**") was amended by the PRC National People's Congress to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law (中華人民共和國土地管理法) of the PRC was amended to permit the transfer of land use rights for value. Under the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "**Urban Land Regulations**") promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a land grant premium. Under the Urban Land Regulations, there are different maximum periods of grant for different uses of land. They are generally as follows:

Use of Land	**Maximum Period (in years)**
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Comprehensive utilisation or others	50

Under the Urban Land Regulations, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not expropriate possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the expropriation of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully assign, mortgage or lease its land use rights to a third party, and such assignment, mortgage or lease will not extend the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

The PRC Civil Code (民法典) (the "**PRC Civil Code**") was promulgated by The National People's Congress in May 2020 and was effective from 1 January 2021. According to the PRC Civil Code, when the term of the right to use construction land for residential (but not other) purpose expires, it will be renewed automatically.

Grant of Land Use Rights

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him/her to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A land grant premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

Under the Urban Land Regulations, there are four methods by which land use rights may be granted, namely by private agreement, tender, auction or listing-for-sale.

On 11 June 2003, the Ministry of Land and Resources (which has been combined into the Ministry of National Resources as from March 2018) promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定), which became effective on 1 August 2003. According to such regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of private agreement. The local land bureau at municipal or county level, together with other relevant government departments including the urban planning authority, will formulate the plan on grant of state-owned land use rights by private agreement (協議出讓方案) concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and designing, time of supply, and submit such plan as well as the proposed minimum price of land grant premium, which is designated by the group decision based on the valuation result, to the relevant government for approval. The local land bureau at municipal or county level and the intended user will negotiate the land grant premium which shall not be lower than the minimum price approved by the relevant government and enter into the land grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or listing-for-sale. Furthermore, according to the Rules Regarding the Grant of State-owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) (the "**Land Use Grant Rules**") which are effective from 1 November 2007, land use rights for properties for industrial use, commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction and listing-for-sale.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau at municipal or county level. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to evaluate the tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau at municipal or county level and pay the relevant land grant premium within a prescribed period. The land bureau will consider the following factors: the successful bidder shall be either the bidder who can satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offer the highest bid.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau at municipal or county level. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a land grant contract with the local land bureau.

Where land use rights are granted by way of listing-for-sale, a public notice will be issued by the local land bureau at municipal or county level to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and which satisfies the terms and conditions. The successful bidder will then enter into a grant contract with the local land bureau.

Upon signing of the contract for the grant of land use rights, the grantee is required to pay the land grant premium pursuant to the terms of the contract, and the contract will later be submitted to the relevant local land bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for renewal of the term. Upon approval by the relevant local land bureau, a new contract shall be entered for renewing the grant, and a land grant premium shall be paid.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) to require that (i) land for industrial use, except land for mining, and (ii) other types of land in which more than two potential land users are interested must also be granted by tender, auction or listing-for-sale. Only after the grantee has paid the land grant premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use right certificates may not be issued in proportion to the land grant premium paid under the land grant contract.

The Ministry of Land and Resources promulgated Notice on Problems Regarding Strengthening the Supply and Regulation of Land Used for Real Estates Supply (關於加強房地產用地供應和監管有關問題的通知) (the "**Notice on Land Supply**") on 8 March 2010. According to the Notice on Land Supply, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for self-residence purpose should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice on Land Supply also requires that the lowest land grant premium shall be no less than 70% of the basic land grant premium in which the granted land is located and the real estate developers' bid deposit shall be no less than 20% of the lowest grant premium. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land grant premium shall be 50% and must be paid within one month after the execution of the land grant contract. The remaining land grant premium shall be paid in accordance with the contract, but no later than one year. If the land grant contract is not executed in accordance with the requirement above, the land shall not be handed over and the deposit will not be returned. If no land grant premium is paid after the execution of the contract, the land will be taken back.

In September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued the Notice on Further Strengthening the Administration and Control of the Land-use and Construction of Real Estates (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that the planning and construction conditions and land use standards shall be specified when a parcel of land is to be granted, and the restrictions on the area of one parcel of land granted for commodity residential properties shall be strictly implemented. The development and construction of large low-density residential properties shall be strictly restricted, and the floor area ratio for residential land is required to be more than 1. In addition, a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviours in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified.

Transfer of Land Use Rights

After land use rights relating to a particular area of land have been granted by the State, unless any additional restriction is imposed, the party to whom such land use rights are granted may transfer, lease or mortgage such land use rights after certain statutory conditions are met. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such land use rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a transfer price. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas in the PRC have different conditions which must be fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract between the parties which must be registered with the relevant local land bureau at municipal or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are assigned to the transferee automatically.

Under the Administration Law of Urban Real Property of the PRC (2019 revision) (中華人民共和國城市房地產管理法(2019年修訂)) (the "**Urban Real Property Law**"), real property that has not been registered and of which a title certificate has not been obtained in accordance with the law may not be assigned. Also, under the Urban Real Property Law, if land use rights are acquired by means of grant, the real property shall not be assigned before the following conditions have been met: (i) the land grant premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) where the investment or development involves housing construction projects, more than 25% of the total amount of investment or development must have been made or completed; (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes must have been satisfied; (v) where the real property is assigned with a completed building, the building ownership certificate is needed as well.

Documents of Title

In the PRC, interest in land or building is registered with and certified by the government. Land registration is achieved by the issue of a land use right certificate (土地使用證) by the relevant authority to the land user. It is the evidence that the land user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issue of a building ownership certificate (房屋所有權證) or a real estate rights certificate (房地產權證) to the owner. It is the evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land. In the past, the registration systems for lands and buildings in most cities were separate, and the names of the certificates were different. On 24 November 2014, the State Council issued the Interim Regulations on Real Estate Registration (不動產登記暫行條例), which was further revised on 24 March 2019, to consolidate the registration systems. As a result, local government is required to establish a unified real estate registry to take charge of the registration of both lands and buildings, and the certificate to be issued upon completion of a registration has been renamed to "real estate title certificate (不動產權證書)". However, all the land use right certificates (土地使用證), building ownership certificates (房屋所有權證) and real estate rights certificates (房地產權證) issued before then should remain valid (land use right certificates (土地使用證), building ownership certificates (房屋所有權證), real estate rights certificates (房地產權證) and real estate title certificate (不動產權證書) are hereinafter referred to collectively as the "Title Certificates" and individually as a "Title Certificate").

According to the Land Registration Regulations (土地登記規則) (the "**Registration Regulations**") promulgated by the State Land Administration Bureau (國家土地管理局), the predecessor of the Ministry of Land and Resources, on 28 December 1995 and the PRC Civil Code, all land use rights and building ownership rights which are duly registered are protected by the law.

Mortgage

The grant of mortgage in the PRC is governed by the PRC Civil Code and other relevant laws and regulations regulating real estates. Under the PRC Civil Code, any mortgage contract must be in writing and generally contain specified provisions including (i) the type and amount of the principal indebtedness secured; (ii) the term of the obligation by the debtor; (iii) the name, quantity, quality, state, location, ownership of or the right to use the mortgaged property; and (iv) the scope of the mortgage. For mortgages of urban real properties, new buildings on a piece of land constructed after a mortgage contract has been entered into will not be subject to the mortgage.

The validity of a mortgage depends on the validity of the mortgage contract and registration of the mortgage with authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor. If the proceeds from the sale of such property are not sufficient to cover the outstanding amount, the mortgagee may bring proceedings before a competent court or arbitration tribunal (where there is an agreement to recover the amount outstanding through arbitration) in the PRC.

The PRC Civil Code also contains comprehensive provisions dealing with guarantees. Under the PRC Civil Code, guarantees may be in two forms: (i) guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation.

Lease

Both the Urban Land Regulations and the Urban Real Property Law permit leasing of granted land use rights and buildings thereon. However, leasing of land use rights obtained by allocation (劃撥) and of buildings on such allocated land is regulated by the Urban Land Regulations.

Leasing of urban real properties is also governed by the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法) issued by the Ministry of Housing and Urban-Rural Development in December 2010, which became effective on 1 February 2011. According to the Administrative Measures for Leasing of Commodity Housing, landlords and tenants are required to enter into lease contracts which must contain specified provisions, the floor area per tenant may not be less than the minimum living space stipulated by the local government where the building is located, no kitchens, lavatories, balconies or basement storerooms should be rented out as residence, and the lease contract should be registered with the relevant construction or property authorities at municipal or county level within 30 days after its conclusion. If the lease contract is extended or terminated or if there is any change to the registered items, the landlord and the tenant are required to effect alteration registration, extension of registration or deregistration with the relevant construction or property authorities within 30 days after the occurrence of the alteration, extension or termination.

The PRC Civil Code provides among others, that the lease contract shall be in writing if its term is over six months, and the term of any lease contract shall not exceed twenty years. During the lease term, any change in the ownership of the leased property does not affect the validity of the lease contract. The tenant may sub-let the leased property if it is agreed by the landlord and the lease contract between the landlord and the tenant is still valid and binding.

When the landlord is to sell a leased property under a lease contract, it shall give the tenant a reasonable advance notice before the sale, and the tenant has the priority right to buy such leased property on equal conditions. The tenant can waive such rights in the lease.

The tenant must pay rent on time in accordance with the lease contract. In the event of default of rental payment without reasonable cause, the landlord may ask the tenant to pay within a reasonable period of time and may terminate the lease contract if the defaulted tenant fails to pay by the prescribed time limit.

Except as mentioned below or unless otherwise specified in the lease contract, if the landlord wishes to terminate the lease before its expiry date, prior consent shall be obtained from the tenants who are entitled to be indemnified for any resulting loss.

The landlord has the right to terminate the lease contract if the tenant sub-lets the property without prior consent from the landlord, or causes loss to the leased properties resulting from using the property not in compliance with the usage as stipulated in the lease contract, or defaults in rental payment and fails to rectify such default after a reasonable period as required by the landlord, or other circumstances occur allowing the landlord to terminate the lease contract under relevant PRC laws and regulations.

Sale and Transfer of Property

Under the Administrative Measures for the Sale of Commodity Buildings (商品房銷售管理辦法) and the Administrative Regulations on Urban Real Estate Development and Operation (城市房地產開發經營管理條例) as last amended in March 2020, commodity buildings may be put to pre-sale and post-completion sale upon satisfaction of certain preconditions. The preconditions for pre-sale include: (a) the land grant premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a Title Certificate in respect of the land has been properly obtained, (b) the construction project planning permit and the construction work commencement permit have been obtained, (c) the capital injected in the development and construction has exceeded 25% of the total investment of the project construction, and the construction progress, the date of completion of construction and the date of delivery have been determined, and (d) the pre-sale permit has been obtained. The preconditions for post-completion sale include: (a) the property development enterprise shall have a business licence and a qualification certificate of a property development enterprise; (b) the enterprise shall obtain a land use right certificate or other approval documents for land use; (c) the enterprise shall have the construction works planning permit and construction works commencement permit; (d) the building shall have been completed, inspected and accepted as qualified; (e) the relocation of the original residents shall have been completed; (f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; and (g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate promulgated by the Ministry of Construction (城市房地產轉讓管理規定) in August 1995, as amended in August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land grant premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a Title Certificate in respect of the land has been properly obtained;

- investment in or development of such land must have been made or carried out in accordance with the terms of the land grant contract;

- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed;

- in case of a development of a large tract of land, conditions for using such land for industrial or other purpose have been satisfied; and

- in case of where completed building is involved, the Title Certificate in respect of such building has been obtained.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term provided for in the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided for in the original grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county level and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land grant premium accordingly.

If the land use rights were originally obtained by allocation, such allocated land use rights may be changed to granted land use rights if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approved such change, the grantee must complete the formalities for the grant of the land use rights and pay the land grant premium according to the relevant statutes. Land for industry (including warehouse land, but excluding mining land), commercial use, tourism, entertainment and commodity housing development must be granted by tender, auction or listing-for-sale under the current PRC laws and regulations.

Property Management Rules in the PRC

The provision of property management service used to be subject to special licensing requirement in the PRC, but the State Council has abolished such requirement in 2017. A property management enterprise is no longer required to obtain a property management enterprise qualification certificate in order to carry out property management activities pursuant to the Decision on the Cancellation of the Third Batch of Matters for Administrative Licensing Items Delegated by the Central Government for Implementation by Local Authorities (國務院關於第三批取消中央指定地方實施行政許可事項的決定) issued on 12 January 2017 and the Decisions on the Cancellation of Certain Administrative Licensing Items (國務院關於取消一批行政許可事項的決定) issued on 22 September 2017. According to the Regulation on Property Management (物業管理條例) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, as last amended on 19 March 2018 and effective on 19 March 2018, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If the developer is to employ a property management enterprise before the formal employment of a property management enterprise by the owners after the formation of the owners' meeting, it shall enter into a preparation stage property management services contract in writing with such property management enterprise.

COMPARISON OF CERTAIN ASPECTS OF THE PRC PROPERTY LAWS AND THE LAWS OF HONG KONG

The following is a general comparison of the legal protection of proprietary rights over real estate conferred by the legal systems of the PRC and Hong Kong:

PRC	Hong Kong
General	General
Under the Urban Real Property Law, the legitimate rights and interests of the owners over real estate shall be protected by the law of the PRC, on which no person may unlawfully infringe. In general, the legitimate rights and interests of the owners over real estate in PRC are protected under PRC law.	Following Hong Kong's reunification with the PRC on 1 July 1997, the Basic Law of Hong Kong becomes the constitution of Hong Kong. Article 6 of the Basic Law provides that Hong Kong shall protect the right of private ownership of property in accordance with the law. Under the concept of "one country, two systems", Hong Kong enjoys a high degree of autonomy and its legal system is separate from that of the PRC. The proprietary rights of land owners over landed properties in Hong Kong are protected under Hong Kong law, which consists of the English common law principles as well as the Hong Kong legislations.
Land System in the PRC	System of Land Holding in Hong Kong
PRC law distinguishes between the ownership of land and the right to use land. According to the Constitution, all land in the cities is owned by the State while land in the rural and suburban areas, unless otherwise specified by law, is owned by collectives. Houses sites (宅基地), privately farmed crop land (自留地) and hilly land (自留山) are also owned by collectives. The State may expropriate or take over land and pay compensation in accordance with law if such land is required for public interest.	Land tenure in Hong Kong is essentially leasehold. Title to a landed property is derived from Government lease or agreements and conditions of grant (as the case may be) granted by the Hong Kong Government. Owners of landed properties in Hong Kong are effectively long leaseholders.

PRC

Under the Urban Land Regulations, a system for the grant and transfer of state owned land in urban areas was implemented. Pursuant to this system, all local and foreign companies, enterprises and other organisations and individuals, unless the law provides otherwise, are permitted to acquire land use rights and to develop and operate properties in accordance with PRC law.

Under the Urban Land Regulations, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a land grant premium. There are different maximum periods of grant for different uses of land. They are generally as follows:

- up to 70 years for residential use;
- up to 50 years for industrial use;
- up to 50 years for educational, scientific, cultural, public health and sports uses;
- up to 40 years for commercial, tourism and entertainment uses; and
- up to 50 years for comprehensive use or all other uses.

Upon expiration of the term of grant, it is possible for a land user to renew such term subject to the execution of a new land grant contract and payment of a land grant premium. If the term of the grant is not renewed, the land use rights of the land and ownership of any building thereon will revert to the State without compensation. According to the PRC Civil Code, when the term of the right to use construction land for residential (but not other) property purposes expires, it will be renewed automatically.

Hong Kong

Due to historical reasons, the terms of the Government leases vary from short term leases to leases of up to 999 years. Article 120 of the Basic Law essentially provides that all Government leases of land granted, decided upon or renewed before the establishment of the Hong Kong Special Administrative Region which extended beyond 30 June 1997, and all rights in relation to such Government leases, shall continue to be recognised and protected under the law of Hong Kong. Article 121 of the Basic Law provides that as regards all Government leases of land granted or renewed where the original Government leases contain no right of renewal, during the period from 27 May 1985 to 30 June 1997, which extend beyond 30 June 1997 and expire not later than 30 June 2047, the Government lessee is not required to pay any additional premium as from 1 July 1997, but an annual rent equivalent to 3% of the rateable value of the landed property concerned is payable to the Hong Kong Government.

In general, the terms of the earlier Government leases are less restrictive. As society has become more sophisticated, extensive development requirements, obligations and restrictions are found in recent Government grants. Very often, the Government will provide a restriction on alienation in the Government lease – the grantee is required to comply with all the positive obligations in the Government lease, such compliance being evidenced by the issuance of a certificate of compliance by the Lands Department, before the grantee is in a position to sell/assign any individual unit or carpark of the development. If no such compliance has been issued, the grantee can only sell/assign the units unless it shall have obtained the relevant prior written consent from the Lands Department. Any non-compliance of the terms of the Government grant may render the Government exercising its rights of re-entry of the land.

PRC	Hong Kong
Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction. According to the Land Use Grant Rules which are effective from 1 November 2007, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction and listing-for-sale. On 11 June 2003, the Ministry of Land and Resources promulgated the Regulation on Transfer of State-owned Land Use Rights by Agreement. According to this regulation, land use rights may be granted by way of agreement if it is not required under applicable laws and regulations that the land be granted by tender, auction and listing-for-sale. Upon signing of the contract for the grant of land use right, the grantee is required to pay the land grant premium in accordance with the terms of the contract. Once the land grant premium is paid in full, the contract may be submitted to the relevant local bureau for the issue of a land use rights certificate evidencing the grant of land use rights. In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Tender, Auction and Listing-for-sale to require that land for industrial use, except land for mining, must also be granted by tender, auction and listing-for-sale. Only after the grantee has paid the land grant premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use rights certificates. Furthermore, land use rights certificates may not be issued in proportion to the land grant premium paid under the land grant contract. Subject to any restrictions imposed, the party to which the land use right is granted may transfer such land use rights. The transfer may be by way of sale, exchange or gift. The term of land use rights for the transferred land is the original term granted under the grant contract less the term which has already been enjoyed by the original grantee.	Certain Government leases and certain legislations in Hong Kong contain Government's right of resumption of the land or any part thereof for public purposes before expiry of the terms granted. Compensation may be made payable to the affected owners. Any individual or corporate legal entity, whether local or overseas, may own landed property in Hong Kong. Property transactions in Hong Kong attract payment of ad valorem stamp duty in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). Under the said Ordinance (i): any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of its place of incorporation), and resold within 36 months will be subject to payment of special stamp duty at different rates (up to 20% of the stated consideration or market value) for different holding periods (up to 36 months) of such property on top of the current ad valorem stamp duty (the "AVD"); (ii) a buyer's stamp duty at 15% of the stated consideration or market value is payable on top of the current AVD if a residential property is acquired on or after 27 October 2012 by any person (including limited company), except where he/she is a Hong Kong permanent resident or other exemptions apply; (iii) any agreement for sale for the acquisition of any residential property executed on or after 5 November 2016, either by an individual or a company, will be subject to AVD at a flat rate of 15% of the consideration or value of the residential property (whichever is the higher) unless specifically exempted or excepted therein (e.g. Hong Kong permanent resident purchaser who does not own any interest in any other residential property in Hong Kong); (iv) unless specifically exempted or otherwise provided, acquisition of more than one residential property under a single instrument executed on or after 12 April 2017 will be subject to the AVD flat rate at 15%, even if the purchaser is a Hong Kong permanent resident who is acting on his/her own behalf and is not a beneficial owner of any interest in other residential property in Hong Kong at the time of acquisition; and (v) subject to the enactment of the relevant amendment bill by the Legislative Council, AVD rates up to 4.25% on non-residential property transactions will be charged on the agreement for sale executed on or after 26 November 2020.

PRC	Hong Kong
A transfer of land use rights must be evidenced by a written contract. Upon such transfer, all rights and obligations contained in the original contract for the grant of land use rights by the State are deemed to be simultaneously transferred to the transferee, together with any buildings and other fixtures on the land. The transfer must be duly registered at the relevant local land bureau and a new land use rights certificate will be issued and the original land use rights certificate will be suspended.	
Under the Urban Real Property Law, in relation to a transfer of land for which land use rights were acquired by way of grant, the following conditions must be met:	
• the land grant premium must have been paid in full in accordance with the land grant contract and a Title Certificate in respect of the land must have been obtained;	
• investment in or development of such land must have been made or carried out in accordance with the terms of the land grant contract;	
• if the investment or development involves the construction of building on the land, more than 25% of the total amount of investment or development must have been made or completed;	
• where the investment or development involves a large tract of land, conditions for the use of the land for industrial or other construction purposes must have been met; and	
• where completed building is involved, the Title Certificate in respect of such building must have been obtained.	

PRC

Property Owners' Committee

According to the Regulation on Property Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management enterprise by the owners after the formation of the owners' meeting, the developer is to employ a property management enterprise, it shall enter into a preparation stage property management services contract in writing with such real estate management enterprise.

Hong Kong

Strata Title Ownership

Strata-title ownership is commonly found in Hong Kong's multi-storey buildings. The structure is derived from the concept that all owners of the units are holding the land and the development jointly as co-owners. Such piece of land and the development built thereon are notionally divided into a number of undivided shares. An owner of each unit holds a certain number of the allocated undivided shares, together with the exclusive right to hold, use, occupy and enjoy his unit. All owners of the development then share the use of such common part and common facilities of the development which are intended for common use. The allocation of the undivided shares is usually made by the authorised person of the development with reference to the gross floor area of each unit. Immediately after the first unit of a development is assigned, the developer, the first purchaser of a unit and the building manager of the development will enter into a document known as the Deed of Mutual Covenant and Management Agreement (the "**DMC**"), which sets out the rights and obligations of the parties vis-à-vis each other relating to the co-ownership and management of the development.

The system of building management in Hong Kong is mainly based upon private contractual arrangements between the owners of units in the development by virtue of a DMC. The governing legislation for building management is the Building Management Ordinance, which also plays an important role in guarding against drafting in of unfair terms by the developer in the DMC and in setting out the framework for the mandatory terms to be contained in a DMC, to the intent that the rights and obligations of the owners and the building manager of the development are regulated for the purpose of co-ownership and management of the development. The DMC is usually prepared in accordance with the guidelines laid down by the Government and the rules laid down by The Law Society of Hong Kong. It is commonly found in the newer Government leases that the terms of the DMC have to be approved by the Lands Department.

PRC

Documents of Title

In the PRC, interest in land or building is registered with and certified by the government. Land registration is effected by the issue of land use rights certificate by the relevant authority to the land user evidencing that the land user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issue of a building ownership certificate or a real estate rights certificate to the owner evidencing that the owner has obtained building ownership rights in respect of the building. In the past, the registration systems for lands and buildings in most cities were separate, and the names of the certificates were different. On 24 November 2014, the State Council issued the Interim Regulations on Real Estate Registration (不動產登記暫行條例) to consolidate the registration systems. As a result, local government is required to establish a unified real estate registry to take charge of the registration of both lands and buildings, and the certificate to be issued upon completion of a registration has been renamed to "real estate title certificate (不動產權證書)". However, all the land use right certificates, building ownership certificates and real estate rights certificates issued before then should remain valid.

According to the Registration Regulations and the Building Registration Measures, all land use rights and building ownership rights which are duly registered are protected by law.

The registration systems for lands and buildings have been consolidated in the PRC. Each county is required to establish a unified real estate registry to take charge of the registration of lands and buildings in its jurisdiction.

Hong Kong

Land Registration

The present land registration system in Hong Kong is a "deeds registration" system. The governing legislation is the Land Registration Ordinance. Documents affecting landed properties in Hong Kong are lodged with the Land Registry for registration.

The Land Registry maintains a public land register for recording interests in the landed property in Hong Kong. Registration does not serve as a proof that a person registered as the owner has good title to the property. The deeds registration system simply confers priority on registered documents and any registered document will become a public record. Legal advice on title checking should be sought if one would like to ascertain whether a person has good and marketable title to a particular property.

Hong Kong has enacted the Land Titles Ordinance (Chapter 585 of the Laws of Hong Kong) in 2004. The new title registration system will transform the present system of deeds registration into a system of title registration. Under the new system, the title register will be conclusive evidence of title to the property. However, the date on which the new system will be implemented is yet to be ascertained.

Proving Title to Property

Before the title registration comes into actual operation, an owner's title to a property has to be proved by investigation of the original title deeds (if they relate exclusively to a particular property) or certified copies of the title deeds in order to ascertain the owner's title is properly derived from his predecessors in title and is not encumbered.

The Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) is the governing legislation of the conveyance of landed property in Hong Kong. It was enacted in 1984. It has been adopted from the relevant English statutes and codified various common law principles in real estate conveyance aspects. Apart from this ordinance, the rulings in the judgements of the court cases play an important part in determining whether the title to a property is in order.

PRC

Leases/Tenancies in PRC

Both the Urban Land Regulations and the Urban Real Property Law permit leasing of granted land use rights and buildings thereon.

Leasing of urban real properties is also governed by the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法) issued by the Ministry of Housing and Urban-Rural Development in December 2010, which became effective on 1 February 2011. According to the Administrative Measures for Leasing of Commodity Housing, landlords and tenants are required to enter into lease contracts which must contain specified provisions, the floor area per tenant may not be less than the minimum living space stipulated by the local government where the building is located, no kitchens, lavatories, balconies or basement storerooms should be rented out as residence, and the lease contract should be registered with the relevant construction or property authorities at municipal or county level within 30 days after its conclusion. If the lease contract is extended or terminated or if there is any change to the registered items, the landlord and the tenant are required to effect alteration registration, extension of registration or deregistration with the relevant construction or property authorities within 30 days after the occurrence of the extension, termination or alteration.

The PRC Civil Code provides among others, that the lease contract shall be in writing if its term is over six months, and the term of any lease contract shall not exceed twenty years. During the lease term, any change in the ownership of the leased property does not affect the validity of the lease contract. The tenant may sub-let the leased property if it is agreed by the landlord and the lease contract between the landlord and the tenant is still valid and binding. When the landlord is to sell a leased property under a lease contract, it shall give the tenant a reasonable advance notice before the sale, and the tenant has the priority right to buy such leased property on equal conditions.

The tenant must pay rent on time in accordance with the lease contract. In the event of default of rental payment without reasonable cause, the landlord may ask the tenant to pay within a reasonable period of time, and may terminate the lease contract if the defaulted tenant fails to pay by the prescribed time limit.

Hong Kong

Leases/Tenancies in Hong Kong

The governing legislation of leasing and letting of landed property in Hong Kong is the Landlord and Tenant (Consolidation) Ordinance (Chapter 7 of the Laws of Hong Kong) (the "**LTCO**"). Under the former regime before the amendment is made to the LTCO in 2004, a domestic tenant is entitled to statutory renewal of tenancy provided he is willing to pay the prevailing market rent. Only on certain statutory grounds of opposition stated in the pre-amended LTCO, namely self-occupation by the landlord, rebuilding by the landlord, use of property for an illegal purpose or illegal subletting etc, could the landlord refuse to renew the tenancy. This regime has been abolished by the Landlord and Tenant (Consolidation) (Amendment) Ordinance 2004 (the "**Amendment Ordinance**") which came into effect on 9 July 2004.

Further, under the Amendment Ordinance, the fixed term non-domestic tenancy will end upon the expiration of its contractual term and the landlord is no longer required to give any statutory notice to the tenant to end the tenancy, unless expressly required by the tenancy.

After the implementation of the Amendment Ordinance, in general, the landlord and the tenant enjoy more freedom in their negotiation on the terms of the letting. It is common practice in Hong Kong for landlords, especially those who own the whole commercial developments or residential blocks to impose extensive obligations on the tenants, such as the covenants to pay rent, management fees and rates, and sometimes promotion levy (particularly for large shopping arcades), to maintain the leased premises in a good condition, not to underlet, to comply with the DMC, the land grant, ordinances and other governmental regulations. The landlord's obligations are usually confined to the giving of "quiet enjoyment" (in brief it means the non-interference with the tenant's rights under the tenancy agreement), payment of government rent and the obligation to repair the structural part of the premises. The landlord or the tenant may institute legal proceedings to enforce their rights under the tenancy.

A lease with a term exceeding three years should be in a deed or it may not be effective. A lease for longer than three years should also be registered in the Land Registry, otherwise it is likely to be defeated by successors in title of the landlord. Further, if an option to renew the tenancy is granted to the tenant, common law cases laid down the ruling that the tenant should submit the tenancy agreement for registration in the Land Registry in order to obtain priority against third party interest even though the original term or the option term does not exceed three years.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the RMB, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the PRC Foreign Currency Administration Rules (中華人民共和國外匯管理條例) (the "**Foreign Currency Administration Rules**") which became effective from 1 April 1996. The Foreign Currency Administration Rules classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items, in most cases, are still subject to approval from or registration with SAFE. The Foreign Currency Administration Rules was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. The Foreign Currency Administration Rules was further amended by the State Council on 1 August 2008 and came effective on 5 August 2008. Under the revised Foreign Currency Administration Rules, the compulsory settlement of foreign exchange is dropped. As long as the capital inflow and outflow under the current accounts are based upon legal and genuine transactions, individuals and entities may keep their income in foreign currencies inside or outside the PRC according to the provisions and terms to be set forth by the SAFE. The foreign exchange income generated from current account transactions may be retained or sold to financial institutions engaging in the settlement and sale of foreign exchange. Whether to retain or sell the foreign exchange income generated from capital account transactions to financial institutions is subject to approval from or registration with the SAFE or its branches, except for otherwise stipulated by the State. Foreign exchange or settled fund of foreign exchange of capital account must be used in a way that is compliant with SAFE regulations, and the SAFE or its branches are empowered to supervise the utilisation of the foreign exchange or settled fund of foreign exchange of capital account and the alterations of the capital accounts. The RMB follows a managed floating exchange rate system in line with the market demand and supply. A domestic individual or entity who conducts the overseas direct investment or overseas issue and transaction of negotiable securities and derivative financial products shall undergo registration formalities with foreign exchange administrative authorities of the State.

On 20 June 1996, PBOC promulgated the Administrative Regulation on Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**") which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行管理規定) and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the

Implementation of Foreign Exchange Settlement and Sale Banks by Foreign invested Enterprises (外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks.

SAFE has issued and amended a series of regulations from 2005 to regulate offshore investment activities by PRC residents (including by both PRC domestic enterprises and individuals). The current effective SAFE regulations on offshore investment include without limitation, (i) the Circular of the State Administration of Foreign Exchange on Promulgating the Administrative Provisions on Foreign Exchange of the Outbound Direct Investments of Domestic Institutions (國家外匯管理局關於發佈《境內機構境外直接投資外匯管理規定》的通知) issued on 13 July 2009, (ii) the Notice on Issues Relating to the Administration of Foreign Exchange in Overseas Investment and Finance and Round-Trip Investment Activities by Domestic Residents through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**Circular 37**") issued on 4 July 2014; and (iii) Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) issued on 13 February 2015. According to the foregoing, a "special purpose vehicle" (特殊目的公司) refers to an offshore company directly incorporated or indirectly controlled by PRC residents (including both PRC domestic enterprises and individuals), using the assets or equity interests held in domestic entities or offshore assets or equity interest lawfully held, for the purpose of investment and finance. Each PRC resident, whether an individual or enterprise, must complete the overseas investment foreign exchange registration procedures with relevant designated foreign exchange bank prior to (i) making capital contribution to such special purpose vehicle, (ii) changing the basic information of such special purpose vehicle, including the name of the domestic shareholder, the name of the special purpose vehicle, the term of operation and etc., and (iii) making capital increase or decrease to, or transferring or swapping shares of, or carrying out merger or acquisition with respect to, such special purpose vehicle. If PRC residents fail to comply with the foregoing registration requirement, the special purpose vehicle may be prohibited from distributing its profits and proceeds to its onshore parent company, and the PRC residents may be ordered by SAFE to rectify and imposed with fines. Moreover, failure to comply with the above registration requirements could result in liabilities under the relevant PRC laws for evasion of foreign exchange restrictions.

Furthermore, according to a notice issued by SAFE on 11 May 2013, any foreign invested enterprise should disclose to SAFE upon its foreign exchange registration as to whether its foreign investor is directly or indirectly owned or controlled by PRC residents; and non-compliance with the registration requirement under Circular 37 will prevent a foreign invested enterprise from completing its foreign exchange registration if its foreign investor is directly or indirectly owned or controlled by PRC residents until such non-compliance has been remedied.

On 1 September 2006, the Ministry of Construction and SAFE promulgated the Circular on the Issues Concerning the Regulation of Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知) (which was amended on 4 May 2015 pursuant to the Circular of the State Administration of Foreign Exchange on Repealing and Revising the Regulatory Documents concerning the Reform for Registered Capital Registration System (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知)). This circular states that: (i) where foreign exchange is remitted for a real estate purchase, the foreign purchaser shall be subject to examination by the designated foreign exchange bank. The remitted funds shall be directly remitted by the bank to the RMB account of the real estate development enterprise and no payment remitted from abroad by the purchasers shall be kept in the foreign exchange account of current account of the real estate development enterprises; (ii) where the commercial house transaction fails to complete and the foreign purchaser intends to remit the purchase funds in RMB back to foreign currencies, the foreign purchaser shall be subject to examination by the designated foreign exchange bank; (iii) when selling real estates in the PRC and the purchase price received in RMB is remitted to foreign currencies, the foreign purchaser shall be subject to examination by the local branch of SAFE; and (iv) if its land use right certificate has not been obtained or the capital-fund in respect of development project is less than 35% of the total investment amount of the project, a foreign invested real estate enterprise is prohibited from borrowing from any foreign lenders and SAFE shall not process the foreign debt registration or examination and approval regarding the settlement of foreign debt. Please also note that the eligibility of a FIREE to incur foreign debt is subject to further restrictions imposed by the authorities in respect of its establishment date, i.e., a FIREE established on or after 1 June 2007 is not permitted to register foreign debts with SAFE and is therefore unable to borrow foreign debt, and any FIREE established before 1 June 2007 may still borrow foreign debt to the extent within and permitted by the difference between its total investment amount and registered capital after having satisfied certain statutory conditions.

With regard to foreign direct investments, SAFE has also issued and amended a series of circulars and regulations over the years regulating the administration of foreign exchange in foreign direct investments. The current effective SAFE regulations on foreign direct investments include without limitation, (i) the Provisions on the Administration of Foreign Exchange in Foreign Direct Investments of Foreign Investors (外國投資者境內直接投資外匯管理規定) issued on 10 May 2013, (ii) Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) issued on 13 February 2015, (iii) Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) issued on 30 March 2015 and (iv) Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) issued on 9 June 2016. Pursuant to these SAFE regulations, (i) the SAFE no longer processes foreign exchange registrations for foreign direct investments. Instead, foreign exchange registrations for foreign direct investments may be directly handled by designated foreign exchange banks; (ii) where the contribution of foreign exchange capital has been confirmed by the local branch of SAFE, such foreign exchange capital can be converted into RMB by the foreign invested enterprise at its bank based on its operational needs; and (iii) the RMB funds obtained by a foreign invested enterprise from conversion of its foreign exchange capital may only be used within its approved business scope or for purpose otherwise approved by laws and cannot be(i) directly or indirectly used for purpose outside the approved business scope or prohibited by law; (ii) directly or indirectly used for securities investment or any other speculative investment; (iii) unless otherwise provided as part of the approved business scope, used for extending loans to a non-affiliate; (iv) used for construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

1. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following agreements and documents will be available for inspection free of charge at the office of the REIT Manager at Room 2002, 20/F, Lee Garden Six, 111 Leighton Road, Causeway Bay, Hong Kong during normal business hours up to the Listing Date.

(a) Trust Deed;

(b) Accountant's Report of Golden Bauhinia, the text of which is set out in Appendix I to this Offering Circular;

(c) The audited combined financial statements of Golden Bauhinia for the years ended 31 December 2018, 2019 and 2020;

(d) The report on Unaudited Pro Forma Financial Information and the Reporting Accountant's report in relation thereto, the text of which is set out in Appendix II to this Offering Circular;

(e) the letter from the REIT Manager on the profit forecast, the letter from the auditor on the profit forecast, the letter from the Sole Listing Agent on the profit forecast and the letter from the Independent Property Valuer on the rental income forecast, the text of which is set out in Appendix III to this Offering Circular;

(f) the Independent Property Valuer's valuation report, the text of which is set out in Appendix IV to this Offering Circular;

(g) letter from the Market Consultant in relation its Market Consultant Report, the text of which is set out in Appendix V to this Offering Circular;

(h) letter from the Building Surveyor in relation to its Building Survey Report, the text of which is set out in Appendix VI to this Offering Circular;

(i) corporate governance policy adopted by the REIT Manager;

(j) each of the agreements referred to in the section headed "Material Agreements and Other Documents" in this Offering Circular;

(k) written consents referred to in the section headed "Experts" in this Offering Circular; and

(l) the Trustee's letters confirming no objection to the appointment and composition of the board of directors of the Property Companies.

In addition, a copy of the Trust Deed will be available for inspection free of charge at the above registered office of the REIT Manager during normal business hours as long as the Units are listed on the Hong Kong Stock Exchange.

2. INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, Shenzhen SF Taisen and SF (IP) have granted the REIT Manager (in its capacity as manager of SF REIT) the right and licence to use the following trademarks in its name and in connection with the business and for the benefit of SF REIT, pursuant and subject to the terms and conditions contained in the Trademark Licence Agreement:

No.	Trademark	Owner	Place of Registration	Registration Number	Class	Duration
1.	FTIPark	Shenzhen SF Taisen	PRC	28440066	42	14 September 2019 to 13 September 2029
2.	FTIPark	Shenzhen SF Taisen	PRC	28435489	36	7 September 2019 to 6 September 2029
3.	FTIPark	Shenzhen SF Taisen	PRC	28435446	35	14 September 2019 to 13 September 2029
4.	FTIPark	Shenzhen SF Taisen	PRC	28428648	41	7 September 2019 to 6 September 2029
5.	FTIPark	Shenzhen SF Taisen	PRC	28428619	39	7 December 2018 to 6 December 2028
6.	FTIPark	Shenzhen SF Taisen	PRC	28421858	38	28 January 2019 to 27 January 2029
7.	FTIPark	Shenzhen SF Taisen	PRC	28417675	37	7 December 2018 to 6 December 2028
8.	FTIPark	Shenzhen SF Taisen	PRC	28435604	9	7 September 2019 to 6 September 2029
9.	顺丰丰泰	Shenzhen SF Taisen	PRC	22451808	36	7 February 2018 to 6 February 2028
10.	SF	Shenzhen SF Taisen	PRC	7165572	39	21 November 2020 to 20 November 2030
11.	SF	Shenzhen SF Taisen	PRC	7165575	36	21 September 2020 to 20 September 2030
12.	顺丰	Shenzhen SF Taisen	PRC	3101969	39	7 June 2013 to 6 June 2023
13.	SF	SF (IP) Limited	Hong Kong	301302399	16, 39	12 March 2009 to 11 March 2029
14.	SF EXPRESS SF EXPRESS	SF (IP) Limited	Hong Kong	302057193	35, 36, 38	14 October 2011 to 13 October 2021

3. QUALIFICATIONS AND CONSENTS OF EXPERTS

The qualifications of the experts who have given opinions in this Offering Circular are as follows:

Name	Qualification
DBS Asia Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) of the regulated activities
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
King & Wood Mallesons	PRC legal advisors to the REIT Manager
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Property Valuer
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Market Consultant
Colliers International Agency Limited	Building Surveyor

Each of the entities listed above has given and has not withdrawn its written consent to the issue of this Offering Circular with the inclusion of its report and/or opinion and/or memorandum and/or valuation certificate and/or summary thereof (as the case may be) and/or references to its name included herein in the form and context in which it is included.

4. MISCELLANEOUS

Save as disclosed in this Offering Circular, as at the Latest Practicable Date:

(a) none of the Directors nor any of the parties listed in paragraph 3 of this Appendix is interested in SF REIT's promotion, or in any assets which have, within the two years immediately preceding the issuance of this Offering Circular, been acquired or disposed of by or leased to any member of the Predecessor Group, or are proposed to be acquired or disposed of by or leased to SF REIT or any companies controlled by it;

(b) none of the Directors nor any of the parties listed in paragraph 3 of this Appendix are materially interested in any contract or arrangement subsisting at the date of this Offering Circular which is significant in relation to SF REIT's business;

(c) save in connection with the Underwriting Agreements and save as disclosed in the section headed "Underwriting" of this Offering Circular, none of the parties listed in paragraph 3 of this Appendix:

  (i) is interested legally or beneficially in any of the Units or any shares in any of companies controlled by SF REIT; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for SF REIT's securities;

(d) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date to this Offering Circular to any of SF REIT's promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;

(e) there are no outstanding loans or guarantees granted or provided by SF REIT or any companies controlled by it to, or for the benefit of, any of the Directors;

(f) other than the interests of WANG Wei in SFH, which has indirect ownership interests in some of the top five tenants of the Properties, none of the Directors or their associates has any ownership interest in the top five tenants in respects of the Properties;

(g) within the two years immediately preceding the date of this Offering Circular, SF REIT has not issued nor agreed to issue any Units fully or partly paid either for cash or for a consideration other than cash;

(h) save in connection with the Underwriting Agreement, no outstanding Units are under option or are agreed conditionally or unconditionally to be put under option;

(i) SF REIT has not issued or agreed to issue any founder units, management units or deferred units;

(j) none of the equity and debt securities of SF REIT is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(k) SF REIT has no outstanding convertible debt securities;

(l) within the two years immediately preceding the date of this Offering Circular, no commissions, discounts, brokerages or other special items have been granted or paid to any Director, proposed Director, promoter, any of the parties listed in paragraph 3 of this Appendix nor any other person in connection with the issue or sale of any Units or shares or loan capital of SF REIT or any of the companies controlled by it;

(m) there are no arrangements in existence under which future dividends are to be waived or agreed to be waived; and

(n) there have been no interruptions in the business of the Predecessor Group or SF Fengtai which may have or have had a significant effect on the financial position of the Predecessor Group or SF Fengtai, taken as a whole, in the last 12 months.

SF REIT
順豐房託