



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

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

Stock Code : 2191

2023
INTERIM REPORT



About SF REIT

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

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

About REIT Manager

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

About SFH

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



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Performance Highlights

As at 30 June 2023⁽¹⁾

Occupancy rate



98.2%

31 December 2022: 98.2%

— stable

Portfolio value

Mainland China
19%



Hong Kong
81%

31 December 2022: HK\$7,377.6 million

— stable

Gearing ratio



33.6%

31 December 2022: 33.9%

↓ 0.3 percentage points

Net assets per unit attributable to Unitholders



HK\$5.34

31 December 2022: HK\$5.32

↑ 0.4%

Payout ratio



100%

31 December 2022: 100%

— stable

(1) Compare to 31 December 2022

For the six months ended 30 June 2023⁽²⁾

Revenue



HK\$223.6
million

30 June 2022:
HK\$197.5 million

↑ 13.2%

Net property income



HK\$180.7
million

30 June 2022:
HK\$161.6 million

↑ 11.8%

Distribution per unit



HK14.64
cents

30 June 2022:
HK13.67 cents

↑ 7.1%

(2) Compare to six months ended 30 June 2022



Management Discussion and Analysis

Market Overview

During the Reporting Period, the global economic conditions remained complex with high inflation and rising interest rates hindering business developments and growth. However, the reopening of Mainland China has driven economic activities, resulting in relatively sanguine first quarter macro-economic performance including pent-up demand from consumers for goods and services. Nevertheless, the growth momentum slowed in the second quarter, dragging the pace of recovery.

Amidst this moderate recovery, the logistics services demand in Mainland China remained resilient supported by the growth in domestic consumptions and e-commerce demand boosted by popular live streaming platforms. As the pandemic shifted consumption habits online, the online retail sales of physical goods and express delivery parcels continued to grow in the first half of 2023. These solid fundamentals support the business growth of the overall logistics industry and demand for logistics warehouse facilities.

In Hong Kong, the relaxation of traveling restrictions to Mainland China earlier this year improved overall business sentiments, and inbound tourism and domestic demand should continue to drive economic growth in 2023. However, exports of goods continue to be weak amid slower growth in developed markets partly offset by the recovery of the Mainland economy. Overall, the demand for logistics services and modern warehouse facilities remained resilient, supported by gradual resumption of cross-border logistics requirements. The overall supply in modern logistics properties remained tight due to limited new supply, and sustained demand from e-commerce, cold storage and third-party logistics services kept the overall vacancy at a low single digit.

From an investment angle, the unsteady economic recovery, uncertainties in monetary and fiscal policies affected investment decisions, resulting in less notable transactions across key asset classes in Mainland China and Hong Kong.

Management Discussion and Analysis

Operations Review

	GLA as at 30 June 2023 (sq.m.)	Occupancy as at 30 June 2023	Occupancy as at 31 December 2022	Percentage of GLA occupied by SFH Group as at 30 June 2023	Number of internal/ external tenants as at 30 June 2023 ⁽¹⁾
Tsing Yi Property	160,322	97.3%	97.3%	65.9%	2/6
Changsha Property	119,922	98.8%	99.1%	75.4%	3/11
Foshan Property	84,951	100.0%	100.0%	99.9%	1/1
Wuhu Property	62,698	96.7%	96.4%	90.0%	2/16
Total	427,893	98.2%	98.2%	78.9%	8/34

Note:

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

SF REIT's portfolio comprises four modern logistics properties strategically located in Tsing Yi, Hong Kong as well as Changsha in Hunan Province, Foshan in Guangdong Province and Wuhu in Anhui Province, Mainland China. These four properties are all within key logistics hubs which were developed to support the logistics operations of members of the SFH Group. The Foshan Property is a "built-to-suit" property leased almost entirely to SFH Group whilst the other three properties are multi-tenanted with the majority being occupied by SFH Group.

The REIT Manager has taken a proactive approach to asset management in order to prioritise customer satisfaction and build strong long-term relationships with tenants. By maintaining continuous communication with tenants, the REIT Manager is able to understand their evolving business and provide flexible leasing packages to meet their needs. As a result of these efforts, the portfolio's overall occupancy level remained consistently high at 98.2% as at 30 June 2023 (31 December 2022: 98.2%).



Management Discussion and Analysis

The SFH Group tenants accounted for approximately 78.9% of the GLA as at 30 June 2023 and contributed approximately 73.1% of the total revenue for the Reporting Period. The strong partnership with SFH Group, a leading logistics player in the PRC with growing international presence, positions SF REIT to benefit from the growth in the new economy, which is characterised by e-commerce and highly efficient supply chain networks supported by high quality logistics facilities. Furthermore, the majority of the subsisting leases with SFH Group tenants for the properties are not set to expire until 2026, providing a solid base and a high degree of income stability.

As at 17 August 2023, the REIT Manager successfully renewed or re-let all of the warehouse leases expiring in 2023. By continuing to strengthen relationships with existing tenants and attract new tenants through flexible leasing packages, the REIT Manager aims to maintain a healthy portfolio occupancy.

Hong Kong

In the first half of 2023, Tsing Yi Property exhibited strong performance due to the REIT Manager's proactive leasing strategies, successfully renewing or re-letting all leases expiring in 2023 at an average positive rental reversion of 12.4%. This led to the occupancy of the property remaining at 97.3% as at 30 June 2023 (31 December 2022: 97.3%), with almost all the warehouses fully leased but some ancillary offices still vacant.

The SFH Group also plans to expand into new warehouse spaces in the second half of 2023, further enhancing the income stability of Tsing Yi Property and SF REIT.

Mainland China

The three properties of SF REIT in Mainland China also demonstrated stable operating performance in the first half of 2023. The Changsha Property, Foshan Property and Wuhu Property registered occupancy rates of 98.8%, 100.0% and 96.7%, respectively, as at 30 June 2023 (31 December 2022: 99.1%, 100.0% and 96.4%, respectively).

As at 17 August 2023, all of the warehouse leases of Changsha Property expiring in 2023 have been renewed or re-let. The Foshan Property remained almost entirely occupied by SFH Group. For Wuhu Property, over half of the ancillary offices and dormitories expiring in 2023 have been renewed or re-let while the warehouses remained fully occupied by SFH Group.

Management Discussion and Analysis

Financial Review

Financial Performance

Operating Results

	Revenue			Net property income ⁽¹⁾		
	Six months ended 30 June					
	2023	2022	Changes	2023	2022	Changes
Hong Kong	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Tsing Yi Property	161,318	156,870	+2.8	133,388	130,453	+2.2
Mainland China	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Changsha Property ⁽²⁾	22,594	943	N/A	17,531	754	N/A
Foshan Property	23,337	23,312	+0.1	18,809	18,957	-0.8
Wuhu Property	9,418	9,455	-0.4	6,607	6,780	-2.6
Total	55,349	33,710	+64.2	42,947	26,491	+62.1

Notes:

- (1) Excluded depreciation for analysis purpose considering its non-cash nature.
- (2) The figures of Changsha Property for the six months ended 30 June 2022 covered the period from 24 June 2022 (date of Changsha Property acquisition) to 30 June 2022.



Management Discussion and Analysis

SF REIT recorded a revenue of HK\$223.6 million in the Reporting Period, reflecting a year-on-year increase of 13.2%. This was mainly attributable to the contribution of Changsha Property which was acquired in June 2022. After deducting property operating expenses of HK\$42.9 million, the net property income has increased by 11.8% to HK\$180.7 million.

Property operating expenses included building management fees charged by independent third parties of HK\$13.3 million (30 June 2022: HK\$11.0 million) and operations managers which are subsidiaries of SFH Group of HK\$1.3 million (30 June 2022: HK\$0.8 million) as well as fees for provision of services to generate supplemental services income of HK\$6.8 million (30 June 2022: HK\$7.5 million). The remaining property operating expenses mainly consisted of other taxes, government rent and rates, repairs and maintenance and utilities fees.

Finance costs for the Reporting Period were HK\$53.5 million (30 June 2022: HK\$24.4 million), comprising interest expenses on bank borrowings of HK\$53.1 million (30 June 2022: HK\$24.0 million) and amortisation of cost of debt.

Including the fair value gain on investment properties of HK\$71.1 million (30 June 2022: HK\$210.4 million), SF REIT reported a lower profit after taxation of HK\$148.2 million in the first half of 2023 compared to HK\$274.8 million in the same period last year. The increase in contribution from the acquisition of Changsha Property was offset by the drop in fair value gain on investment properties and the increase in finance costs resulting from higher interest rates on HK\$ loans and additional borrowings incurred for the acquisition of Changsha Property.

Distribution

The unaudited total distributable income for the Reporting Period was HK\$117.1 million (30 June 2022: HK\$109.4 million) representing the profit before transactions with Unitholders after the adjustments as set out in the Trust Deed, which mainly include deduction of fair value changes on investment properties of HK\$71.1 million, add-backs of deferred tax charges of HK\$31.2 million and the REIT Manager's fee payable in units in lieu of cash of HK\$13.0 million as mentioned in the Consolidated Distribution Statement in this report.

The Board has resolved to declare a distribution per unit of HK14.64 cents for the Reporting Period (30 June 2022: HK13.67 cents), representing a year-on-year growth of 7.1% and a 100% pay-out ratio.

Such distribution represents a distribution yield of 10.6% on an annualised basis based on the closing unit price of HK\$2.78 on the last trading day of the Reporting Period. Such distribution will be paid on Monday, 25 September 2023 to Unitholders whose names appear on the register of Unitholders of SF REIT on Friday, 1 September 2023.

Management Discussion and Analysis

Financial Position

As at 30 June 2023, total assets were HK\$7,761.2 million (31 December 2022: HK\$7,817.5 million) comprising mainly investment properties of HK\$7,377.6 million (31 December 2022: HK\$7,377.6 million). Total liabilities amounted to HK\$3,493.0 million (31 December 2022: HK\$3,557.5 million) including bank borrowings of HK\$2,611.6 million (31 December 2022: HK\$2,650.1 million) of which HK\$2,156.8 million (31 December 2022: HK\$2,156.4 million) was in HK\$ loans and HK\$454.8 million (31 December 2022: HK\$493.7 million) was in RMB loans. Net asset value per unit was HK\$5.34 (31 December 2022: HK\$5.32).

After accounting for the IRS entered into at the beginning of 2022, the weighted average effective interest rate for the Reporting Period for total borrowings, HK\$ borrowings and RMB borrowings were contained at 4.03%, 3.86% and 4.77% per annum, respectively (31 December 2022: 2.94%, 2.52% and 5.36% per annum, respectively). The gearing ratio (defined as total borrowings as a percentage of gross assets) of SF REIT was 33.6% (31 December 2022: 33.9%), while the gross liabilities as a percentage of gross assets was 45.0% (31 December 2022: 45.5%).

Portfolio Valuation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the principal valuer of SF REIT, valued the properties using the income capitalisation approach with reference to market comparables.

The following table summarises the valuation of SF REIT's properties as at 30 June 2023 and 31 December 2022.

	Appraised value as at 30 June 2023		Appraised value as at 31 December 2022		HoH Changes (in HK\$)	HoH Changes (in local currency)	Capitalisation rate as at 30 June 2023	Capitalisation rate as at 31 December 2022
Hong Kong	<i>HK\$ million</i>		<i>HK\$ million</i>		%	%	%	%
Tsing Yi Property	5,990.0		5,944.0		+0.8	+0.8	4.25	4.25
Mainland China	<i>HK\$ million</i>	<i>RMB million</i>	<i>HK\$ million</i>	<i>RMB million</i>	%	%	%	%
Changsha Property	604.7	559.5	624.8	559.4	-3.2	+0.02	5.25	5.25
Foshan Property	538.7	498.4	556.4	498.1	-3.2	+0.06	5.25	5.25
Wuhu Property	244.2	226.0	252.4	226.0	-3.2	-	5.50	5.50
Sub-Total	1,387.6	1,283.9	1,433.6	1,283.5	-3.2	+0.03		
Total	7,377.6		7,377.6		-			

Management Discussion and Analysis

The Tsing Yi Property and properties in Mainland China were valued at HK\$5,990.0 million and HK\$1,387.6 million as at 30 June 2023, respectively (31 December 2022: HK\$5,944.0 million and HK\$1,433.6 million, respectively). Overall, the appraised value of SF REIT's portfolio was HK\$7,377.6 million as at 30 June 2023 and remained flat compared with 31 December 2022. The decrease in valuation of properties in Mainland China in HK\$ terms attributable to the exchange translation loss from RMB depreciation offset the moderate gain in valuation of Tsing Yi Property. In local currency terms, the valuation of properties in Mainland China remained flat supported by the stable capitalisation rates and moderate market rental growth.

Capital Management

The banking facilities of SF REIT at the end of the Reporting Period include:

- (i) a five-year term loan facility for a principal amount up to HK\$2,159 million (the "**HK\$ Term Loan**") at interest rate of HIBOR plus 1.10% per annum maturing in May 2026 and an one-year revolving loan facility for a principal amount up to HK\$250 million at interest rate of HIBOR plus 0.85% per annum (the "**HK\$ Revolving Loan**", together with the HK\$ Term Loan, collectively the "**HK\$ Loans**"). The HK\$ Loans are secured by Tsing Yi Property and its rental collection account;
- (ii) two five-year term loan facilities for principal amounts up to RMB120 million and RMB100 million, for Foshan Property and Wuhu Property respectively, at a fixed interest rate maturing in April 2026 (collectively, "**Foshan and Wuhu RMB Loans**"). In the second half of 2022, the REIT Manager successfully negotiated to reduce the fixed interest rate from 5.50% per annum to 4.50% per annum. The Foshan and Wuhu RMB Loans are secured by Foshan Property and the rental collection accounts of both Foshan Property and Wuhu Property; and
- (iii) an eight-year term loan facility ("**Changsha RMB Loan**") for a principal amount up to RMB275 million at an interest margin above the loan prime rate for more than five years as announced by the National Interbank Funding Center on the business day immediately preceding the drawdown date and updated annually. During the Reporting Period, the REIT Manager successfully negotiated to reduce the interest margin from 0.55% per annum to 0.20% per annum, reducing the total interest rate to 4.40% at the end of the Reporting Period. The Changsha RMB Loan is secured by Changsha Property and the rental collection account of Changsha Property.

As at 30 June 2023, the HK\$ Term Loan was fully drawn while the HK\$ Revolving Loan was not utilised during the Reporting Period.

In early 2022, SF REIT entered into IRS with maturity in February 2026 to hedge HK\$900 million of the HK\$ Term Loan to mitigate the impact of interest rate volatility. As at 30 June 2023, approximately 41.7% of the outstanding amount of HK\$ Term Loan was on fixed interest rate. Subsequent to the Reporting Period in July 2023, SF REIT entered into short-term IRS to hedge the remaining HK\$1,259 million of the HK\$ Term Loan with maturity in December 2023. This was done to protect against the downside when the market expected interest rate to remain high in the later part of 2023. The REIT Manager will closely monitor the interest rates movements and may adjust ratio of fixed and floating rate debt using financial instruments to hedge against the interest rate exposure, if and when appropriate.



Management Discussion and Analysis

For the Reporting Period, approximately 27.9% and 26.5% (30 June 2022: 20.6% and 19.4%) of the revenue and net property income respectively of SF REIT were denominated in RMB. These amounts had to be converted into HK\$ for the calculation of distributions to Unitholders. Future fluctuations in the exchange rate of RMB against HK\$ may impact the distributions to Unitholders. The REIT Manager will closely monitor the foreign exchange market and will take appropriate protective actions to mitigate foreign exchange risks, when necessary.

At 30 June 2023, SF REIT had total cash and bank balances of HK\$221.0 million (30 June 2022: HK\$274.1 million) and available banking facilities of HK\$250 million (30 June 2022: HK\$250 million). Taking into consideration the recurrent income generated from its operations, the current cash position and sources of funding available, the REIT Manager is of the view that SF REIT has sufficient financial capability to satisfy its working capital and capital expenditure requirements.

Outlook and Strategy

Looking ahead, the economic outlook remains uncertain with lackluster growth momentum in some advanced economies. Additionally, the battle to fight against inflation could keep interest rates at high levels, leading to slower business investment and expansion decisions.

The post pandemic shift in demand for efficient and reliable logistics services has played a vital role in driving the continued growth of the logistics industry in Hong Kong and Mainland China. This increased demand has led to a need for modern logistics assets in these regions. Despite a relatively large development completion near the airport in Hong Kong expected in 2023, the overall supply of modern logistics warehouses is still expected to be tight. As a result, tenants will continue to seek high-quality logistics space, which will support rental.

In Mainland China, the supply of new logistics assets is expected to peak in 2023. While this may create downward pressure on rentals in some sub-markets, the overall occupancy is projected to remain relatively stable due to the growth in consumption and logistics services. Certain sub-markets with well-developed infrastructure, particularly those in Southern China, including the Greater Bay Area, are expected to show resilience. Third-party logistics providers, the increasing demand from e-commerce, emerging drivers from high-end manufacturers, new energy industries, and cross border retailers are expected to sustain these sub-markets in the long term.

SF REIT possesses a portfolio of quality and strategically located assets and a strong partnership with our anchor tenant, SFH Group. With these advantages, the REIT Manager maintains a cautiously optimistic approach in managing economic headwinds. The REIT Manager will proactively manage SF REIT in a disciplined manner and is well-positioned to seize acquisition opportunities when they arise in order to deliver sustainable returns to Unitholders.



Corporate Governance

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

The REIT Manager recognises that good corporate governance is fundamental to the smooth, effective and transparent operation of SF REIT and its ability to attract investment, protect the rights of Unitholders and stakeholders, and enhance Unitholder value. As such, the REIT Manager is committed to fostering a culture of integrity based on a strong set of moral values, in order to uphold high standards of business ethics and enhance anti-corruption capabilities and awareness of all staff, and is also committed to upholding high corporate governance standards and has put in place policies and procedures to promote SF REIT's operations in a transparent manner and with built-in checks and balances.

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

Authorisation Structure

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

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

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

Board of the REIT Manager

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

Size and Composition

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

There was no change in Board members during the Reporting Period and up to the date of approval of this report.

Independent Non-executive Directors

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

Each of the INEDs is appointed for a term of three years, subject to retirement by rotation and re-election by Unitholders at annual general meeting of SF REIT at least once every three years. Any INED who has held office for nine consecutive years shall be subject to re-election by Unitholders by way of ordinary resolution at the next following annual general meeting of SF REIT and at every third annual general meeting of SF REIT thereafter.

Board Chairman and Chief Executive Officer

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

Board Committees of the REIT Manager

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

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

Investment Committee

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

As at the date of approval of this report, the Investment Committee comprises the following four members:

HO Chit** (chairman)

Hubert CHAK*

CHAN Ming Tak, Ricky***

Michael Tjahja SUSANTO***

* Executive Director

** Non-executive Director

*** Independent Non-executive Director

Audit Committee

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

As at the date of approval of this report, the Audit Committee comprises the following four members:

TAN Huay Lim*** (chairman)

HO Lap Kee***

CHAN Ming Tak, Ricky***

KWOK Tun Ho, Chester***

*** Independent Non-executive Director

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

Nomination and Remuneration Committee

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

As at the date of approval of this report, the Nomination and Remuneration Committee comprises the following four members:

HO Lap Kee*** (chairman)

HO Chit**

TAN Huay Lim***

KWOK Tun Ho, Chester***

** Non-executive Director

*** Independent Non-executive Director

Disclosures Committee

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

As at the date of approval of this report, the Disclosures Committee comprises the following three members:

CHAN Ming Tak, Ricky*** (chairman)

TAN Huay Lim***

HO Lap Kee***

*** Independent Non-executive Director

Procedures to Deal with Conflict of Interests

SF REIT invests in income-generating real estate globally with an initial focus on logistics properties located in Hong Kong and Mainland China. While SFH's principal business is not the leasing of properties, its certain subsidiaries are engaged in the investment, development and management of logistics properties in Mainland China. The REIT Manager which manages SF REIT is an indirect subsidiary of SFH. Therefore, there may be circumstances where conflict of interests amongst the REIT Manager, SF REIT and SFH may arise. The Operations Manager is an indirect subsidiary of SFH and it also provides services to properties and entities within the SFH Group. The Operations Manager may face conflict of interests in other activities of the SFH Group at an operational level. During the Reporting Period, four NEDs, namely Mr. WANG Wei, Mr. HO Chit, Ms. OOI Bee Ti and Ms. GAN Ling, hold directorships, shareholding interests or senior management positions in SFH and/or its subsidiaries and may therefore have conflict of interests in their involvement in the businesses of both the Group and the SFH Group.

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

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



Corporate Governance

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

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

Whistleblowing and Anti-corruption

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

The REIT Manager regards honesty, integrity and fair play as the core values of SF REIT that must be upheld by all Directors and employees of the REIT Manager at all times. The REIT Manager has adopted the anti-corruption policy, as complemented with the gifts and entertainment policy (collectively the “**anti-corruption policies**”) to strictly prohibit all Directors and employees of the REIT Manager from soliciting, accepting or offering any bribe in the course of business of the REIT Manager and the Group. The REIT Manager has required all its Directors and employees to comply with the anti-corruption policies.

Compliance

Corporate Governance Code

SF REIT and the REIT Manager have applied the principles and complied with, to the extent applicable, the code provisions in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the Reporting Period.

Disclosure under Rule 13.51B(1) of the Listing Rules

Subsequent to the date of approval of SF REIT's 2022 annual report, there have been the following changes in Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules (as if such rule were applicable to SF REIT):

- (i) Mr. HO Chit, a NED, was appointed as a director of Sunny Sail Holding Limited, a subsidiary of SFH and a company having an interest in the units of SF REIT within the meaning of Part XV of the SFO, on 28 February 2023.
- (ii) Mr. HO Lap Kee, an INED, retired as an independent non-executive director of Tradelink Electronic Commerce Limited, a company listed on the Hong Kong Stock Exchange, on 12 May 2023, and was appointed as a member of the Vocational Training Council Merchandise Trading and E-commerce Training Board on 1 April 2023.

Code Governing Dealings in Units by Directors

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

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

Other Compliance

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

Investor Relations and Communications

Unitholders' Communication Policy

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

Corporate Communication Policy

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

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

ESG Initiatives

The REIT Manager recognises the importance of integrating ESG principles and values into business decision-making process to create long-lasting value to Unitholders and society at large. It will continue to follow the key pillars of its ESG strategies, namely, business integrity, partner engagement, employee empowerment and green operation as stated in SF REIT's 2022 ESG report.

Other Disclosures

Certain other disclosures as required by the REIT Code and/or the Listing Rules can be found in the "Other Information" section of this report on pages 22 to 23.

Disclosure of Interests

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

Interests of Directors

As at 30 June 2023, the following Director had interests in units of SF REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to the provisions of Part XV of the SFO and were recorded in the register required to be kept by the REIT Manager pursuant to the Trust Deed:

Name of Director	Number of units				Total interests held	Approximate percentage of total units in issue (%) ⁽³⁾
	Personal interests	Family interests	Corporate interests	Other interests		
WANG Wei ⁽¹⁾	–	–	280,000,000 ⁽²⁾	–	280,000,000	35.00

Notes:

As at 30 June 2023:

1. Mr. WANG Wei, Chairman and NED, was deemed to be interested in 280,000,000 units through a chain of companies including 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.), SFH, 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), SF Holding Limited, Sunny Sail Holding Limited and SF Fengtai. Please see the “Interests of Substantial Unitholders” section below for further details.
2. The interests mentioned in Note 1 above were long position interests. There were no short position interests in units of SF REIT held by any Director or the CEO.
3. The approximate percentage was calculated based on a total of 800,000,000 units in issue.

Disclosure of Interests

Interests of Substantial Unitholders

As at 30 June 2023, each of the following persons (other than the Directors or the CEO) had an interest of 5% or more in units of SF REIT as recorded in the register required to be kept by the REIT Manager pursuant to the Trust Deed:

Name of Unitholder	Capacity	Number of units held	Long position/ Short position/ Lending pool	Approximate percentage of total units in issue (%) ⁽³⁾
SF Fengtai ⁽¹⁾	Beneficial owner	280,000,000	Long position	35.00
SFH ⁽¹⁾	Interest of controlled corporations	280,000,000	Long position	35.00
深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.) ⁽¹⁾	Interest of controlled corporations	280,000,000	Long position	35.00
China Orient Asset Management (International) Holding Limited ⁽²⁾	Interest of controlled corporations	152,105,000	Long position	19.01

Notes:

As at 30 June 2023:

- 280,000,000 units were held directly by SF Fengtai, a direct wholly-owned subsidiary of Sunny Sail Holding Limited. Sunny Sail Holding Limited was a direct wholly-owned subsidiary of SF Holding Limited. SF Holding Limited was a direct wholly-owned subsidiary of 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.) which itself was a direct wholly-owned subsidiary of SFH. SFH is a company listed on the Shenzhen Stock Exchange and being majority-owned by 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.), a company owned as to 99.9% by Mr. WANG Wei, Chairman and NED. Accordingly, 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.), SFH, 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), SF Holding Limited and Sunny Sail Holding Limited were all deemed to be interested in the same batch of 280,000,000 units held directly by SF Fengtai. Mr. WANG Wei, by virtue of his 99.9% interests in 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.), was also deemed to be interested in the same batch of 280,000,000 units.
- These interests represented:
 - 124,154,000 units were held directly by China Orient Multi-Strategy Master Fund. China Orient Multi-Strategy Master Fund was 100% controlled by China Orient Multi-Strategy Fund and the latter itself was 98.3% controlled by China Orient International Fund Management Limited ("**China Orient International**"). China Orient International was 100% controlled by China Orient Asset Management (International) Holding Limited ("**China Orient Asset Management**"). Accordingly, China Orient Asset Management, China Orient International and China Orient Multi-Strategy Fund were all deemed to be interested in the same batch of 124,154,000 units held directly by China Orient Multi-Strategy Master Fund; and
 - 27,951,000 units were held directly by China Orient Enhanced Income Fund which was 100% controlled by China Orient International. China Orient International was 100% controlled by China Orient Asset Management. Accordingly, China Orient Asset Management and China Orient International were both deemed to be interested in the same batch of 27,951,000 units held directly by China Orient Enhanced Income Fund.
- The approximate percentage was calculated based on a total of 800,000,000 units in issue.

Interests of the REIT Manager

As at 30 June 2023, the REIT Manager did not hold any interest in units of SF REIT.

Interests of Other Connected Persons

After making reasonable enquiries and according to the information available to the REIT Manager, as at 30 June 2023, the interests in units of SF REIT held by connected persons (other than substantial holders of SF REIT, Directors or the CEO, the REIT Manager itself, and their respective associates) were as follows:

Name of Unitholder	Number of units held	Approximate percentage of total units in issue (%) ⁽²⁾
RREEF America LLC ⁽¹⁾	2,377,000	0.30
DBX Advisors LLC ⁽¹⁾	333,016	0.04

Notes:

1. RREEF America LLC and DBX Advisors LLC are associates of the Trustee.
2. The approximate percentage was calculated based on a total of 800,000,000 units in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors or the CEO or any of their respective associates and no other persons had any interests or short positions in units (or, as the case may be, shares) or underlying units (or, as the case may be, underlying shares) or debentures (if any) of SF REIT and/or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept by the REIT Manager pursuant to the Trust Deed, or as otherwise notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to the provisions of Part XV of the SFO.



Other Information

Issue of New Units

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

Sale and Purchase of Real Estate

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

Details of the properties held by SF REIT as at 30 June 2023 are set out in Note 13(ii) to the condensed consolidated interim financial information of this report.

Other Investments

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

Employees

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

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

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

Public Float

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

Review of Interim Financial Information

The condensed consolidated interim financial information of the Group for the Reporting Period have been reviewed by the Audit Committee, the Disclosures Committee and PricewaterhouseCoopers, the external auditor of SF REIT. The review report of the external auditor is set out in the “Independent Auditor’s Review Report” section of this report on pages 30 to 31.

Interim Distribution and Closure of Register of Unitholders

The distribution of HK14.64 cents per unit for the Reporting Period will be paid on Monday, 25 September 2023 to those Unitholders whose names appear on the register of Unitholders of SF REIT on Friday, 1 September 2023. For the purpose of ascertaining Unitholders' entitlement to this distribution, the register of Unitholders of SF REIT will be closed on Friday, 1 September 2023. In order for Unitholders to qualify for this distribution, all transfer documents accompanied by the relevant unit certificates must be lodged with SF REIT's unit registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 31 August 2023.

Approval of 2023 Interim Report

This 2023 interim report has been approved for issue by the Board on 17 August 2023.



Connected Party Transactions

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

SF Leasing Framework Agreement

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

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

Connected Party Transactions

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

Name of tenant	Relationship	Nature of transaction	Rental income and other income (excluding rental deposit) incurred for the Reporting Period <i>HK\$'000</i>	Deposit provided in the form of cash and/or bank guarantee <i>HK\$'000</i>
S.F. Express (China) Limited	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Lease of premises of Tsing Yi Property and provision of Add-on Services	54,281.5	29,038.2
S.F. Express (Hong Kong) Limited	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Lease of premises of Tsing Yi Property and provision of Add-on Services	49,877.7	28,602.8
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Lease of premises of Foshan Property	25,352.0	8,389.6
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Lease of premises of Wuhu Property	5,317.8	965.3
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Lease of premises of Wuhu Property	4,422.8	818.1
HAVI Logistics Services (Hong Kong) Limited	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Provision of Add-on Services	112.1	–

Connected Party Transactions

Name of tenant	Relationship	Nature of transaction	Rental income and other income (excluding rental deposit) incurred for the Reporting Period <i>HK\$'000</i>	Deposit provided in the form of cash and/or bank guarantee <i>HK\$'000</i>
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Lease of premises of Changsha Property	9,820.8	4,145.3
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Lease of premises of Changsha Property	6,844.3	4,110.8
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Lease of premises of Changsha Property	1,121.8	388.1
Total			157,150.8	

Notes:

- (1) a fellow subsidiary of the REIT Manager
- (2) a subsidiary of SFH, a substantial holder of SF REIT
- (3) an associate of Mr. WANG Wei, Chairman and NED

The REIT Manager had applied for, and the SFC had granted, a waiver exempting SF REIT from strict compliance with, in respect of the SF Leasing Framework Agreement, the announcement, circular and independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Throughout the Reporting Period, the REIT Manager had complied with the conditions of the SFC waiver. The total rental income and other income incurred under the SF Leasing Framework Agreement were HK\$157.2 million for the Reporting Period, which did not exceed the annual cap of rental income and other income of HK\$393.7 million for the financial year ending 31 December 2023.

PRC Operations Management Agreements

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

The Foshan Operations Management Agreement and the Wuhu Operations Management Agreement are each for a term commencing from 17 May 2021 (Listing Date) and ending on 31 December 2023. The Changsha Operations Management Agreement is for a term commencing from 1 March 2022 and ending on 31 December 2023.

On 1 October 2022, each of the previous operations managers novated to the Operations Manager all of its rights and obligations in and under the PRC Operations Management Agreements in respect of the Foshan Property, Wuhu Property and Changsha Property (the “**Novation Agreement (Foshan)**”, the “**Novation Agreement (Wuhu)**” and the “**Novation Agreement (Changsha)**”, respectively). Save for the aforesaid amendments, all other terms of the PRC Operations Management Agreements (including the annual caps relating thereto) remain unchanged and in full force and effect.

Connected Party Transactions

Details of the management fees incurred under the PRC Operations Management Agreements (as amended by the Novation Agreements) during the Reporting Period are as follows:

Name of operations manager	Relationship	Nature of transaction	Expenses (management fee) incurred for the Reporting Period <i>HK\$'000</i>
深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of Director ⁽³⁾	Provision of operations and property management services for Foshan Property and Wuhu Property	775.9
		Provision of operations and property management services for Changsha Property	549.9

Notes:

- (1) a fellow subsidiary of the REIT Manager
- (2) a subsidiary of SFH, a substantial holder of SF REIT
- (3) an associate of Mr. WANG Wei, Chairman and NED

The REIT Manager had applied for, and the SFC had granted, a waiver exempting SF REIT from strict compliance with, in respect of the PRC Operations Management Agreements, the announcement requirement under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Throughout the Reporting Period, the REIT Manager had complied with the conditions of the SFC waiver. The total management fees incurred under the Foshan Operations Management Agreement (as amended by the Novation Agreement (Foshan)) and the Wuhu Operations Management Agreement (as amended by the Novation Agreement (Wuhu)) for the Reporting Period were HK\$0.8 million, which did not exceed the annual cap of management fees of HK\$2.2 million for the financial year ending 31 December 2023. The management fee of HK\$0.5 million was incurred under the Changsha Operations Management Agreement (as amended by the Novation Agreement (Changsha)) for the Reporting Period, which did not exceed the annual cap of management fee of HK\$1.5 million for the financial year ending 31 December 2023.

Other Disclosures under the REIT Code

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

Pursuant to the Trust Deed, Trustee's fee is payable on a semi-annual basis. For the Reporting Period, Trustee's fee of approximately HK\$0.8 million was incurred for services provided by the Trustee.

Pursuant to the Trust Deed, REIT Manager's fee include base fee payable on a semi-annual basis, variable fee payable on an annual basis and, wherever applicable, acquisition fee and divestment fee. For the Reporting Period, REIT Manager's fee of approximately HK\$13.0 million was incurred.

Further details of Trustee's fee and REIT Manager's fee incurred for the Reporting Period are respectively set out in Note 23(b)(vi) and Notes 11 and 23(b)(v) to the condensed consolidated interim financial information of this report.

Independent Auditor's Review Report



羅兵咸永道

**Report on Review of Condensed Consolidated Interim Financial Information
To the Board of Directors of SF REIT Asset Management Limited**
(as "Manager" of SF Real Estate Investment Trust)

Introduction

We have reviewed the condensed consolidated interim financial information ("**Interim Financial Information**") set out on pages 32 to 68, which comprises the condensed consolidated balance sheet of SF Real Estate Investment Trust ("**SF REIT**") and its subsidiaries (together, the "**Group**") as at 30 June 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in net assets attributable to Unitholders, the consolidated distribution statement, and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Manager are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independent Auditor's Review Report

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 August 2023

Condensed Consolidated Income Statement

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	223,620	197,479
Property operating expenses	6	(42,930)	(35,864)
Net property income		180,690	161,615
General and administrative expenses	7	(17,612)	(16,673)
Fair value changes on investment properties		71,102	210,377
Other (losses)/gains – net	8	(443)	192
Operating profit		233,737	355,511
Finance income		4,881	216
Finance costs	9	(53,462)	(24,353)
Profit before taxation and transactions with Unitholders		185,156	331,374
Income tax expenses	10	(36,947)	(56,530)
Profit for the period, before transactions with Unitholders		148,209	274,844
Distribution paid to Unitholders			
– 2021 final distribution, paid on 6 May 2022		–	(137,915)
– 2022 final distribution, paid on 28 April 2023		(112,544)	–
Profit for the period, after transactions with Unitholders		35,665	136,929
Basic earnings per unit	12	HK18.53 cents	HK34.36 cents
Diluted earnings per unit	12	HK18.42 cents	HK34.36 cents

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Before transactions with Unitholders <i>HK\$'000</i> (Unaudited)	Transactions with Unitholders (Note) <i>HK\$'000</i> (Unaudited)	After transactions with Unitholders <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2023			
Profit for the period	148,209	(120,730)	27,479
Other comprehensive income			
<i>Items that may be reclassified subsequently to condensed consolidated income statement:</i>			
Changes in fair value of derivatives that are designated as cash flow hedges, net of tax	2,427	–	2,427
Exchange losses on translation of financial statements	(29,906)	–	(29,906)
Total comprehensive income for the period	120,730	(120,730)	–
Six months ended 30 June 2022			
Profit for the period	274,844	(276,206)	(1,362)
Other comprehensive income			
<i>Items that may be reclassified subsequently to condensed consolidated income statement:</i>			
Changes in fair value of derivatives that are designated as cash flow hedges, net of tax	27,192	–	27,192
Exchange losses on translation of financial statements	(25,830)	–	(25,830)
Total comprehensive income for the period	276,206	(276,206)	–

Note:

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

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Investment properties	13	7,377,639	7,377,618
Property, plant and equipment		13,706	14,141
Land use rights		574	601
Intangible assets		179	221
Derivative financial instruments	14	54,121	51,214
		7,446,219	7,443,795
Current assets			
Trade receivables	15	2,102	1,689
Amounts due from related companies	23(c)(i)	10,369	6,327
Prepayments and other receivables		24,889	25,629
Restricted cash		56,524	65,912
Cash and cash equivalents		221,047	274,136
		314,931	373,693
Total assets		7,761,150	7,817,488
LIABILITIES			
Current liabilities			
Borrowings	16	46,673	48,210
Trade payables	18	1,450	1,153
Amounts due to connected persons and related companies	19, 23(c)(ii)	78,099	77,378
Other payables	20	73,473	126,238
Current tax liabilities		2,857	5,072
		202,552	258,051

Condensed Consolidated Balance Sheet

As at 30 June 2023

	Notes	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Non-current liabilities, excluding net assets attributable to Unitholders			
Borrowings	16	2,564,882	2,601,904
Deferred tax liabilities	17	687,985	658,279
Deferred government grants		37,552	39,261
		3,290,419	3,299,444
Net current assets		112,379	115,642
Total assets less current liabilities		7,558,598	7,559,437
Total liabilities, excluding net assets attributable to Unitholders		3,492,971	3,557,495
Net assets attributable to Unitholders		4,268,179	4,259,993
Units in issue (Thousand)		800,000	800,000
Net assets per unit attributable to Unitholders		HK\$5.34	HK\$5.32

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

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

Hubert CHAK
Director

HO Chit
Director

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2023

	Net assets attributable to Unitholders <i>HK\$'000</i> (Unaudited)
As at 1 January 2023	4,259,993
Profit for the period, before transactions with Unitholders	148,209
Distribution paid to Unitholders	(112,544)
Exchange losses on translation of financial statements	(29,906)
Cash flow hedging reserve	2,427
As at 30 June 2023	4,268,179
As at 1 January 2022	4,091,674
Profit for the period, before transactions with Unitholders	274,844
Distribution paid to Unitholders	(137,915)
Exchange losses on translation of financial statements	(25,830)
Cash flow hedging reserve	27,192
As at 30 June 2022	4,229,965

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Consolidated Distribution Statement

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit for the period, before transactions with Unitholders	148,209	274,844
Adjustments:		
– Fair value changes on investment properties	(71,102)	(210,377)
– REIT Manager's fee payment in the form of units	13,010	–
– Differences between finance cost and interest paid in accordance with contractual obligations	(279)	129
– Deferred tax charges	31,247	52,621
– Depreciation and amortisation	1,060	769
– Appropriation to PRC statutory reserve	(1,103)	(1,371)
– Amortisation of cost of debt	387	357
– Amortisation of government grants	(456)	(340)
– Non-cash foreign exchange losses	836	1,770
– Differences between accrued rental income and contractual rental income	(4,722)	(9,014)
Total distributable income	117,087	109,388
Percentage of distribution over total distributable income (Note (i))	100%	100%
Interim distribution to be paid to Unitholders (Note (ii))	117,087	109,388
Units in issue (Thousand)	800,000	800,000
Distribution per unit (Note (ii))	HK14.64 cents	HK13.67 cents

Notes:

- (i) Pursuant to the Trust Deed, the distributable income is profit for the period, before transactions with Unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant year. The REIT Manager's policy is to distribute to Unitholders an amount of no less than 90% of SF REIT's annual distributable income for each financial year save for the first distribution. The REIT Manager decided to distribute 100% of the Annual Distributable Income (as defined in the Trust Deed) for the six months ended 30 June 2023.
- (ii) The interim distribution per unit of HK14.64 cents for the six months ended 30 June 2023 is calculated based on the interim distribution of HK\$117,087,000 for the period and 800,000,000 units in issue as at the date of the approval of the condensed consolidated interim financial information, without taking into account any subsequent change in the number of units in issue. The interim distribution will be paid to Unitholders on 25 September 2023. The interim distribution per unit of HK13.67 cents for the six months ended 30 June 2022 was calculated based on the interim distribution of HK\$109,388,000 for the period and 800,000,000 units in issue as at 30 June 2022.

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	120,850	94,046
Interest received	4,929	216
Income tax paid	(7,740)	(4,546)
Net cash generated from operating activities	118,039	89,716
Cash flows from investing activities		
Transfer from restricted cash	47,051	41,810
Settlement of investment properties payable	(24,811)	–
Additions of property, plant and equipment	(2,723)	(134)
Acquisition of subsidiaries, net of cash acquired	–	(247,604)
Professional fees paid in relation to an acquisition	–	(1,456)
Net cash generated from/(used in) investing activities	19,517	(207,384)
Cash flows from financing activities		
Distributions paid to Unitholders	(112,544)	(137,915)
Interest paid	(53,360)	(23,810)
Repayments of borrowings	(23,913)	(17,309)
Proceeds from borrowings, net of transaction costs paid	–	261,889
Net cash (used in)/generated from financing activities	(189,817)	82,855
Net decrease in cash and cash equivalents	(52,261)	(34,813)
Cash and cash equivalents at beginning of the period	274,136	397,453
Effects of exchange rate changes on cash and cash equivalents	(828)	(2,165)
Cash and cash equivalents at end of the period	221,047	360,475

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

1. General information

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

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, ‘Interim Financial Reporting’ issued by the International Accounting Standards Board. In addition, the condensed consolidated interim financial information includes the relevant provisions of the Trust Deed, the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The condensed consolidated interim financial information has been prepared under the historical cost convention, except for investment properties and derivatives financial instruments, which are carried at fair value.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

3. Accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for the adoption of amended IFRSs effective as at 1 January 2023, details of which are set out below:

New standards and amendments to standards and Interpretations

The following new and amended standards and interpretation are mandatory for the first time for the financial period beginning on or after 1 January 2023:

IFRS 17	Insurance contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published but are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

4. Revenue

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Rental income	185,672	164,696
Management service income	25,803	19,794
Others (Note)	12,145	12,989
	223,620	197,479

Note:

Others mainly represent revenue generated from supplementary services, which is recognised at a point in time.

5. Segment information

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

5. Segment information (continued)

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

	Hong Kong <i>HK\$'000</i> (Unaudited)	Mainland China <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2023			
Segments revenue	161,318	62,302	223,620
Net property income	132,825	47,865	180,690
Fair value changes on investment properties	46,000	25,102	71,102
General and administrative expenses			(17,612)
Other losses – net			(443)
Finance income			4,881
Finance costs			(53,462)
Income tax expenses			(36,947)
Profit for the period, before transactions with Unitholders			148,209
Six months ended 30 June 2022			
Segments revenue	156,870	40,609	197,479
Net property income	130,192	31,423	161,615
Fair value changes on investment properties	199,000	11,377	210,377
General and administrative expenses			(16,673)
Other gains – net			192
Finance income			216
Finance costs			(24,353)
Income tax expenses			(56,530)
Profit for the period, before transactions with Unitholders			274,844

Depreciation and amortisation of Hong Kong segment and Mainland China segment for the six months ended 30 June 2023 was approximately HK\$582,000 and HK\$478,000, respectively (30 June 2022: HK\$280,000 and HK\$489,000, respectively).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

5. Segment information (continued)

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

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Segment assets		
Hong Kong	6,010,744	5,963,468
Mainland China	1,497,057	1,568,358
All other segments	253,349	285,662
	7,761,150	7,817,488
Segment liabilities, excluding net assets attributable to Unitholders		
Hong Kong	712,511	693,886
Mainland China	601,772	687,470
All other segments	2,178,688	2,176,139
	3,492,971	3,557,495

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

6. Property operating expenses

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Property management expenses	21,345	19,364
– Building management fees (Note (i))	14,594	11,838
– Supplemental services related expenses	6,751	7,526
Rates and government rent	4,462	4,220
Repairs and maintenance	4,168	3,038
Electricity and water fee	3,300	2,704
Other taxes (Note (ii))	8,114	5,346
Others	1,541	1,192
	42,930	35,864

Notes:

- (i) Building management fees included operation managers' fees to operation managers which are subsidiaries of S.F. Holding Co., Ltd. of approximately HK\$1,326,000 for the six months ended 30 June 2023 (30 June 2022: HK\$819,000).
- (ii) Other taxes mainly include property tax, land use tax, and stamp duty of Mainland China.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

7. General and administrative expenses

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Auditor's remuneration		
– Audit and audit-related assurance services	1,405	1,532
– Other services	111	120
REIT Manager's fee	13,010	12,898
Trustee's fee	776	783
Principal valuer's fee	109	109
Legal and professional fees	1,970	882
Bank charges	32	38
Others	199	311
	17,612	16,673

8. Other losses/(gains) – net

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Exchange losses	936	2,733
Amortisation of government grants	(456)	(340)
Settlement of the currency forward contract	–	(1,968)
Others	(37)	(617)
	443	(192)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

9. Finance costs

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Interest expenses on bank borrowings	53,075	23,996
Amortisation of cost of debts	387	357
	53,462	24,353

10. Income tax expenses

Income tax expenses are recognised based on management's best estimate of the income tax rate that would be applicable to the full financial year.

During the six months ended 30 June 2023, Hong Kong profits tax was subject to the rate of 16.5% (30 June 2022: 16.5%) on the estimated assessable profit. The Group's subsidiaries in Mainland China had provided for corporate income tax ("CIT") at a standard rate of 25% (30 June 2022: 25%) on the estimated assessable profit for the period. Withholding tax was provided for undistributed profits of subsidiaries in Mainland China at a rate of 10% (30 June 2022: 10%).

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Current income tax		
– Mainland China CIT	5,559	3,875
– Withholding taxes	141	34
Deferred income tax	31,247	52,621
	36,947	56,530

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

11. REIT Manager's fee

Pursuant to the Trust Deed, the REIT Manager is entitled to receive management fee for its services as the manager of SF REIT, which is calculated based on 10% per annum of the base fee distributable income as remuneration (the "Base Fee"). Base fee distributable income is the amount of the total distributable income to Unitholders calculated before accounting for the Base Fee payable for the period.

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Manager's fee		
In the form of units	13,010	–
In the form of cash	–	16,063
	13,010	16,063

Note:

The REIT Manager may elect at its sole discretion to receive the REIT Manager's fee in the form of cash or entirely or partly in the form of units. If no election is made, the most recent valid election made by the REIT Manager in a prior calendar year (if any) shall apply. Pursuant to the announcement dated 10 January 2023, the REIT Manager elected in respect of the REIT Manager's fee for the year ending 31 December 2023 to be paid entirely in the form of new units issued by SF REIT.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

12. Earnings per unit

(i) Basic

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit for the period, before transactions with Unitholders (HK\$'000)	148,209	274,844
Weighted average number of units for the period (Thousand)	800,000	800,000
Basic earnings per unit (HK cents)	18.53	34.36

(ii) Diluted

Diluted earnings per unit based upon profit for the period before transactions with Unitholders is calculated by adjusting the weighted average number of units in issue and assuming all dilutive potential units are issued. SF REIT has manager's fee to be paid in the form of units during the period which are dilutive potential units. For illustration purpose, the number of units adjusted for manager's fee to be paid in the form of units was calculated based on the average closing price of the units of SF REIT on the Stock Exchange in the five trading days immediately preceding 30 June 2023.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit for the period, before transactions with Unitholders (HK\$'000)	148,209	274,844
Weighted average number of units for the period (Thousand)	800,000	800,000
Adjustments for manager's fee to be paid in the form of units (Thousand)	4,646	–
Weighted average number of units for diluted earnings per unit (Thousand)	804,646	800,000
Diluted earnings per unit (HK cents)	18.42	34.36

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

13. Investment properties

	HK\$'000 (Unaudited)
As at 1 January 2023	7,377,618
Cost adjustments (Note)	(24,652)
Fair value changes on investment properties	71,102
Currency translation differences	(46,429)
As at 30 June 2023	7,377,639

	HK\$'000 (Audited)
As at 1 January 2022	6,541,755
Acquisition of subsidiaries	643,841
Cost adjustments	(1,766)
Fair value changes on investment properties	301,231
Currency translation differences	(107,443)
As at 31 December 2022	7,377,618

Note:

The amount included the construction cost adjustments of Changsha property arising from settlements during the six months ended 30 June 2023.

(i) Valuation Process

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

The investment properties were revalued on a market value basis as at 30 June 2023 and 31 December 2022 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Principal Valuer**"), an independent firm of professional qualified valuers and the Principal Valuer of SF REIT.

(ii) Valuation Techniques

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

13. Investment properties (continued)

(ii) Valuation Techniques (continued)

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

Investment properties held by the Group	Fair value hierarchy	Valuation HK\$	Valuation technique and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Asia Logistics Hub – SF Centre (亞洲物流中心 – 順豐大廈) No. 36 Tsing Yi Hong Wan Road, (Tsing Yi Town Lot No. 180), Tsing Yi, New Territories, Hong Kong	Level 3	30 June 2023: 5,990,000,000 (31 December 2022: 5,944,000,000)	Income capitalisation method with cross reference to the direct comparison approach		
			The key inputs are:		
			(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the subject property, was 3.75% as at 30 June 2023 (31 December 2022: 3.75%).	The higher the term yield, the lower the fair value.
			(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, was 4.25% as at 30 June 2023 (31 December 2022: 4.25%).	The higher the reversionary yield, the lower the fair value.
			(3) Monthly market rent	Market rent was determined by the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion, the amount of which was HK\$13.50/sq. ft./month as at 30 June 2023 (31 December 2022: HK\$13.38/sq. ft./month).	The higher the monthly market rent, the higher the fair value.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

13. Investment properties (continued)

(ii) Valuation Techniques (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation HK\$	Valuation technique and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Changsha Fengtai Industrial Park (長沙豐泰產業園) No. 102 Hexin Road, Huangxing Town, Changsha City, Hunan Province, The PRC	Level 3	30 June 2023: 604,708,000 (RMB559,500,000) 31 December 2022: 624,827,000 (RMB559,400,000)	Income capitalisation method with cross reference to the direct comparison approach The key inputs are:		
			(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the subject property, was 4.75% as at 30 June 2023 (31 December 2022: 4.75%).	The higher the term yield, the lower the fair value.
			(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, was 5.25% as at 30 June 2023 (31 December 2022: 5.25%).	The higher the reversionary yield, the lower the fair value.
			(3) Monthly market rent	Market rent was determined by the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion, the amount of which was RMB29.83/sq.m./month as at 30 June 2023 (31 December 2022: RMB29.88/sq.m./month).	The higher the monthly market rent, the higher the fair value.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

13. Investment properties (continued)

(ii) Valuation Techniques (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation HK\$	Valuation technique and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Foshan Guicheng Fengtai Industrial Park (佛山桂城豐泰產業園) The northern side of Guanli Road and the western side of Guihe Road, Nanhai District, Foshan City, Guangdong Province, The PRC	Level 3	30 June 2023: 538,671,000 (RMB498,400,000) (31 December 2022: 556,358,000) (RMB498,100,000)	Income capitalisation method with cross reference to the direct comparison approach The key inputs are:		
			(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the subject property, was 4.75% as at 30 June 2023 (31 December 2022: 4.75%)	The higher the term yield, the lower the fair value.
			(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, was 5.25% as at 30 June 2023 (31 December 2022: 5.25%)	The higher the reversionary yield, the lower the fair value.
			(3) Monthly market rent	Market rent was determined by the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion, the amount of which was RMB43.14/sq.m/month as at 30 June 2023 (31 December 2022: RMB42.50/sq.m/month).	The higher the monthly market rent, the higher the fair value.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

13. Investment properties (continued)

(ii) Valuation Techniques (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation HK\$	Valuation technique and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Wuhu Fengtai Industrial Park (蕪湖豐泰產業園) No. 61 Longteng Road, Jiujiang District, Wuhu City, Anhui Province, The PRC	Level 3	30 June 2023: 244,260,000 (RMB226,000,000) 31 December 2022: 252,433,000 (RMB226,000,000)	Income capitalisation method with cross reference to the direct comparison approach The key inputs are:		
			(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the subject property, was 5.00% as at 30 June 2023 (31 December 2022: 5.00%).	The higher the term yield, the lower the fair value.
			(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, was 5.50% as at 30 June 2023 (31 December 2021: 5.50%)	The higher the reversionary yield, the lower the fair value.
			(3) Monthly market rent	Market rent was determined by the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion, the amount of which was RMB24.79/sq.m./month as at 30 June 2023 (31 December 2022: RMB24.67/sq.m./month).	The higher the monthly market rent, the higher the fair value.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

13. Investment properties (continued)

(iii) Restriction on the investment properties

SF REIT acquired the Changsha property on 24 June 2022. SF REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the Unitholders approved the proposed disposal by way of special resolution passed in accordance with the Trust Deed.

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

(iv) Security for the Group’s borrowings

As at 30 June 2023, certain of the Group’s investment properties in Mainland China and Hong Kong, amounting to approximately HK\$1,143,379,000 (as at 31 December 2022: HK\$1,181,185,000) and HK\$5,990,000,000 (as at 31 December 2022: HK\$5,944,000,000) respectively, were pledged to secure the Group’s loan facilities of HK\$2,611,555,000 (as at 31 December 2022: HK\$2,650,114,000).

14. Derivative financial instruments

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Derivative assets		
Designated as cash flow hedge		
– Interest rate swap contracts	54,121	51,214

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

14. Derivative financial instruments (continued)

Interest rate swap contracts

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

The fair values of interest rate swap contracts are calculated by reference to the present values of the estimated future cash flows, taking into account market observable yield curves. Interest rate swap contract are included in Level 2 of the fair value hierarchy. During the six months ended 30 June 2023, there were no transfers between the three levels of the fair value hierarchy.

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

	30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>
Carrying amount	54,121	51,214
Notional amount	900,000	900,000
Maturity date	February 2026	February 2026
Hedge ratio	1:1	1:1

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

14. Derivative financial instruments (continued)

Hedging reserves

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

	Interest rate swaps <i>HK\$'000</i> (Unaudited)
As at 1 January 2023	42,764
Change in fair value of hedging instrument recognised in other comprehensive income ("OCI") for the period	10,991
Reclassified from OCI to profit or loss – included in finance costs	(8,084)
Deferred tax	(480)
As at 30 June 2023	45,191
	<i>HK\$'000</i> (Audited)
As at 1 January 2022	–
Change in fair value of hedging instrument recognised in OCI for the period	49,774
Reclassified from OCI to profit or loss – included in finance costs	1,440
Deferred tax	(8,450)
As at 31 December 2022	42,764

15. Trade receivables

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables		
– Third parties	2,102	1,689
– Related companies (Note)	10,369	6,327
	12,471	8,016

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

15. Trade receivables (continued)

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

As at 30 June 2023, a significant portion of the trade receivables and future trade receivables are pledged to secure the Group's bank borrowings.

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

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Within 30 days	12,471	8,016

The carrying amounts of trade receivables and amounts due from related companies approximate to their fair values.

16. Borrowings

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Principal amounts of bank borrowings, secured	2,613,777	2,652,721
Capitalisation of transaction costs	(2,222)	(2,607)
	2,611,555	2,650,114
Less: Borrowings with maturities less than one year which were presented under current liabilities	(46,673)	(48,210)
	2,564,882	2,601,904

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

16. Borrowings (continued)

As at 30 June 2023, the weighted average effective interest rate on bank borrowings by outstanding principal amounts was 4.65% per annum (as at 31 December 2022: 4.43% per annum).

Please refer to Note 9 for the finance cost on borrowings for the six months ended 30 June 2023 and 2022.

As at 30 June 2023, the Group's investment properties of approximately HK\$7,133,378,000 (31 December 2022: HK\$7,125,185,000) (Note 13), a significant portion of trade receivables, the rental income generated from the leases of the investment properties during the terms of the borrowings, restricted bank balances of approximately HK\$56,524,000 (31 December 2022: HK\$65,912,000), equity interests in a certain subsidiary of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's bank borrowings.

The carrying amounts of borrowings approximate to their fair values as the fluctuations of interest rate has no material impact on the fair value measurement of borrowings.

17. Deferred tax liabilities

Deferred tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. Deferred tax assets and liabilities as at 30 June 2023 and 31 December 2022 presented in the consolidated balance sheet, after appropriate offsetting are as follows:

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Deferred tax assets	(53,510)	(60,065)
Deferred tax liabilities	741,495	718,344
Net deferred tax liabilities	687,985	658,279

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

17. Deferred tax liabilities (continued)

(a) Deferred tax assets

The movement on the deferred tax assets for the period are as follows:

	Government grants <i>HK\$'000</i> (Unaudited)	Unused tax losses <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
As at 1 January 2023	8,605	51,460	–	60,065
(Charged)/credited to the consolidated income statements	1	(6,126)	–	(6,125)
Currency translation differences	(430)	–	–	(430)
As at 30 June 2023	8,176	45,334	–	53,510

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

17. Deferred tax liabilities (continued)

(b) Deferred tax liabilities

The movement on the deferred tax liabilities for the period are as follows:

	Difference between tax book and accounting book in respect of investment properties <i>HK\$'000</i> (Unaudited)	Withholding taxes <i>HK\$'000</i> (Unaudited)	Fair value of derivatives designated as cash flow hedges <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
As at 1 January 2023	703,905	5,989	8,450	718,344
Charged to the condensed consolidated income statements	23,547	1,716	–	25,263
Release upon interest income received	–	(141)	–	(141)
Charged to the OCI	–	–	480	480
Currency translation differences	(2,451)	–	–	(2,451)
As at 30 June 2023	725,001	7,564	8,930	741,495

	Difference between tax book and accounting book in respect of investment properties <i>HK\$'000</i> (Audited)	Withholding taxes <i>HK\$'000</i> (Audited)	Fair value of derivatives designated as cash flow hedges <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
As at 1 January 2022	642,465	2,990	–	645,455
Charged to the condensed consolidated income statements	67,131	2,999	–	70,130
Charged to OCI	–	–	8,450	8,450
Currency translation differences	(5,691)	–	–	(5,691)
As at 31 December 2022	703,905	5,989	8,450	718,344

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

18. Trade payables

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables	1,450	1,153

The carrying amounts of trade payables approximate to their fair values. The ageing analysis of trade payables, based on invoice date, were as follows:

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Within 30 days	1,450	1,153

19. Amounts due to connected persons and related companies

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Deposits received from tenants	57,744	57,736
Provisions for REIT Manager's fee and Trustee's fee	13,871	14,070
Management service income received in advance	3,738	3,250
Rental collected in advance	822	968
Payables for construction	–	156
Others	1,924	1,198
	78,099	77,378

The carrying amounts of amounts due to connected persons and related companies approximate to their fair values.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

20. Other payables

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Payables for construction	15,270	66,954
Deposits received from tenants	34,096	33,903
Accruals for property management fee	13,023	14,835
Payables for legal and professional fee	2,660	1,982
Rental collected in advance	2,469	3,370
Other taxes payables	1,829	1,792
Management service income collected in advance	943	681
Interest payables	532	1,023
Others	2,651	1,698
	73,473	126,238

The carrying amounts of other payables approximate to their fair values.

21. Capital commitments

As at 30 June 2023 and 31 December 2022, the Group had no outstanding capital commitments.

22. Contingent liabilities

As at 30 June 2023 and 31 December 2022, the Group had no contingent liabilities.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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

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

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

Connected persons/related companies	Relationship with the Group
SF REIT Asset Management Limited	(i), (ii), (iv) and (v)
DB Trustees (Hong Kong) Limited	(i)
S.F. Express (China) Limited	(i), (ii), (iii), (iv) and (v)
S.F. Express (Hong Kong) Limited	(i), (ii), (iii), (iv) and (v)
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
HAVI Logistics Services (Hong Kong) Limited	(i), (ii), (iii), (iv) and (v)
FS Electronic Technology Co., Limited	(i), (ii), (iii), (iv) and (v)
佛山市豐預泰產業園運營管理有限公司 (Foshan Fengyutai Industrial Park Operation Management Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
長沙市宏捷產業園運營管理有限公司 (Changsha Hongjie Industrial Park Operation Management Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
深圳市順豐同城物流有限公司 (Shenzhen SF Intra-city Logistics Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
順豐數據服務(武漢)有限公司 (S.F. Data Service (Wuhan) Co., Ltd)	(i), (ii), (iii), (iv) and (v)
合肥市捷泰企業管理有限公司 (Hefei Jietai Enterprise Management Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
深圳市豐泰工程項目管理有限公司 (Shenzhen Fengtai Project Management Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.)	(i), (ii), (iii), (iv) and (v)

Notes:

- (i) These companies are considered as connected persons as defined in the REIT Code.
- (ii) These companies are considered as related companies as defined in IAS 24 (Revised) "Related Party Disclosures".
- (iii) These companies are fellow subsidiaries of the REIT Manager, and hence the associates of the REIT Manager.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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

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

Notes: (continued)

- (iv) These companies are subsidiaries of S.F. Holding Co., Ltd., a substantial holder of SF REIT, and hence the associates of the substantial holder of SF REIT.
- (v) These companies are the associates of Mr. WANG Wei, the Chairman and Non-executive Director.
- (vi) "Associate" has the meaning ascribed to this term under the REIT Code.

(b) Transactions with connected persons/related companies

Save as disclosed elsewhere in the condensed consolidated interim financial information, the following transactions were carried out with connected persons/related companies in the ordinary course of business and on normal commercial terms. The terms were mutually agreed by both parties:

(i) Rental income

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
S.F. Express (China) Limited	44,076	44,076
S.F. Express (Hong Kong) Limited	42,608	42,607
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	24,728	26,463
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	7,859	451
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	5,627	163
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	5,062	5,389
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	4,068	4,346
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	803	–
深圳市順豐同城物流有限公司 (Shenzhen SF Intra-city Logistics Co., Ltd.)	–	2
長沙市宏捷產業園運營管理有限公司 (Changsha Hongjie Industrial Park Operation Management Co., Ltd.)	–	33
	134,831	123,530

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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

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

(ii) Management service income

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
S.F. Express (China) Limited	6,474	6,286
S.F. Express (Hong Kong) Limited	6,253	6,071
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	2,315	123
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	1,652	60
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	1,304	1,343
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	450	456
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	343	–
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	334	328
深圳市順豐同城物流有限公司 (Shenzhen SF Intra-city Logistics Co., Ltd.)	–	1
長沙市宏捷產業園運營管理有限公司 (Changsha Hongjie Industrial Park Operation Management Co., Ltd.)	–	14
	19,125	14,682

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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

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

(iii) Other revenue

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
S.F. Express (China) Limited	5,937	6,851
S.F. Express (Hong Kong) Limited	3,176	2,998
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	209	246
HAVI Logistics Services (Hong Kong) Limited	112	96
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	7	117
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	1	33
FS Electronic Technology Co., Limited	–	190
	9,442	10,531

(iv) Operations manager's fees

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.)	1,326	–
佛山市豐預泰產業園運營管理有限公司 (Foshan Fengyutai Industrial Park Operation Management Co., Ltd.)	–	569
合肥市捷泰企業管理有限公司 (Hefei Jietai Enterprise Management Co., Ltd.)	–	227
長沙市宏捷產業園運營管理有限公司 (Changsha Hongjie Industrial Park Operation Management Co., Ltd.)	–	23
	1,326	819

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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

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

(v) REIT Manager's fee

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
SF REIT Asset Management Limited	13,010	16,063

(vi) Trustee's fee

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
DB Trustees (Hong Kong) Limited	776	883

(c) Balances with connected persons/related companies

(i) Amounts due from related companies

	30 June	31 December
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Audited)
S.F. Express (China) Limited	3,143	1,912
S.F. Express (Hong Kong) Limited	1,295	618
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	3,709	2,856
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	959	6
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	673	432
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	496	323
SF REIT Asset Management Limited	55	55
HAVI Logistics Services (Hong Kong) Limited	39	42
FS Electronic Technology Co., Limited	–	83
	10,369	6,327

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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

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

(ii) Amounts due to connected persons and related companies

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
S.F. Express (Hong Kong) Limited	30,264	29,858
S.F. Express (China) Limited	30,730	30,338
SF REIT Asset Management Limited	14,178	14,378
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	1,168	480
DB Trustees (Hong Kong) Limited	861	861
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	289	876
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	246	–
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	141	355
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	110	27
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	90	19
深圳市順豐同城物流有限公司 (Shenzhen SF Intra-city Logistics Co., Ltd.)	18	19
順豐數據服務(武漢)有限公司 (S.F. Data Service (Wuhan) Co., Ltd)	4	11
深圳市豐泰工程項目管理有限公司 (Shenzhen Fengtai Project Management Co., Ltd.)	–	156
	78,099	77,378

24. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was approved by the board of directors of REIT Manager on 17 August 2023.

Performance Table

	30 June		
	2023	2022	2021
Net assets attributable to Unitholders	HK\$4,268.2 million	HK\$4,230.0 million	HK\$3,922.3 million
Net assets per unit attributable to Unitholders	HK\$5.34	HK\$5.29	HK\$4.90
	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the period from 17 May 2021 (Listing Date) to 30 June 2021
The highest traded unit price	HK\$3.21	HK\$3.69	HK\$4.74
The highest premium of the traded unit price to net assets per unit attributable to Unitholders (Note (i))	N/A	N/A	N/A
The lowest traded unit price	HK\$2.75	HK\$2.80	HK\$4.12
The highest discount of the traded unit price to net assets per unit attributable to Unitholders	48.5%	47.1%	15.9%
Net yield per unit (Note (ii))	5.27%	3.96%	0.76%
Annualised net yield per unit	10.62%	7.99%	6.18%

Notes:

- (i) The highest traded unit price is lower than the net assets per unit attributable to Unitholders. Accordingly, the highest premium of the traded unit price to net assets per unit attributable to Unitholders has not been recorded.
- (ii) The net yield per unit is calculated based on the distribution per unit for the six months ended 30 June 2023 of HK14.64 cents (2022: HK13.67 cents) over the closing price as at 30 June 2023 of HK\$2.78 (2022: HK\$3.45) per unit.

Financial Summary

	For the six months ended 30 June 2023 <i>HK\$'000</i>	For the six months ended 30 June 2022 <i>HK\$'000</i>	For the period from 29 April 2021 (Date of Establishment) to 30 June 2021 <i>HK\$'000</i>
Results			
Revenue	223,620	197,479	50,700
Net property income	180,690	161,615	42,211
Profit for the period, before transactions with Unitholders	148,209	274,844	15,805
Basic earnings per unit	HK18.53 cents	HK34.36 cents	HK1.98 cents
Distribution per unit	HK14.64 cents	HK13.67 cents	HK3.34 cents
	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
Total assets	7,761,150	7,817,488	7,009,560
Total liabilities, excluding net assets attributable to Unitholders	3,492,971	3,557,495	2,917,886
Net assets attributable to Unitholders	4,268,179	4,259,993	4,091,674
Net assets per unit attributable to Unitholders	HK\$5.34	HK\$5.32	HK\$5.11

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

Add-on Services	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
associate(s)	has the meaning ascribed to this term under the REIT Code
Audit Committee	the audit committee established by the Board
Board	board of directors of the REIT Manager
Board Committees	committees established by the Board, namely, the Investment Committee, the Audit Committee, the Nomination and Remuneration Committee and the Disclosures Committee
Chairman or Board Chairman	chairman of the Board
Changsha Jietai	長沙捷泰電商產業園管理有限公司 (Changsha Jietai E-Commerce Industrial Park Asset Management Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of SF REIT
Changsha Operations Management Agreement	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
Changsha Property	the property owned by SF REIT in Changsha, Mainland China, and its exact location is set out in Note 13(ii) to the condensed consolidated interim financial information of this report
Changsha RMB Loan	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
Chief Executive Officer or CEO	chief executive officer of the REIT Manager
China Orient Asset Management	has the meaning ascribed to this term under the “Disclosure of Interests” section of this report
China Orient International	has the meaning ascribed to this term under the “Disclosure of Interests” section of this report



Glossary

Compliance Manual	the compliance manual adopted by the REIT Manager for the management and operation of SF REIT
connected person(s)	has the meaning ascribed to this term under the REIT Code
controlling unitholder	has the meaning ascribed to this term under the REIT Code
Date of Establishment	29 April 2021, the date on which SF REIT was constituted by the Trust Deed
Director(s)	director(s) of the REIT Manager
Disclosures Committee	the disclosures committee established by the Board
ESG	Environmental, Social and Governance
Executive Director or ED	executive director of the REIT Manager
Foshan and Wuhu RMB Loans	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
Foshan Operations Management Agreement	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
Foshan Property	the property owned by SF REIT in Foshan, Mainland China, and its exact location is set out in Note 13(ii) to the condensed consolidated interim financial information of this report
Foshan Runzhong	佛山市潤眾工業投資有限公司 (Foshan Runzhong Industrial Investment Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of SF REIT
GLA	gross lettable area
Group	SF REIT and its subsidiaries
HK\$	Hong Kong dollar, the lawful currency of Hong Kong

HK\$ Loans	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
HK\$ Revolving Loan	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
HK\$ Term Loan	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Independent Non-executive Director(s) or INED(s)	independent non-executive director(s) of the REIT Manager
Investment Committee	the investment committee established by the Board
IRS	interest rate swap contract(s)
Listing Date	17 May 2021, the date of listing of the units of SF REIT on the Main Board of the Hong Kong Stock Exchange
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Mainland China	for the purpose of this report only, PRC (excluding Hong Kong, Macao Special Administrative Region and Taiwan)
Nomination and Remuneration Committee	the nomination and remuneration committee established by the Board
Non-executive Director(s) or NED(s)	non-executive director(s) of the REIT Manager
Novation Agreements	collectively, the Novation Agreement (Foshan), the Novation Agreement (Wuhu) and the Novation Agreement (Changsha)



Glossary

Novation Agreement (Changsha)	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
Novation Agreement (Foshan)	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
Novation Agreement (Wuhu)	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
Operations Manager	深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of SFH
PRC	The People’s Republic of China
PRC Operations Management Agreements	collectively, the Foshan Operations Management Agreement, the Wuhu Operations Management Agreement and the Changsha Operations Management Agreement
REIT	real estate investment trust
REIT Code	Code on Real Estate Investment Trusts issued by the SFC
REIT Manager	SF REIT Asset Management Limited, as manager of SF REIT
Reporting Period	period from 1 January 2023 to 30 June 2023
RMB	Renminbi, the lawful currency of the PRC
SF Connected Lease(s)	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
SF Fengtai	SF Fengtai Industrial Park Holdings Limited (順豐豐泰產業園控股有限公司), a company incorporated in the British Virgin Islands and a substantial holder of SF REIT holding 35% of the issued units
SF Leasing Framework Agreement	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report

SF REIT	SF Real Estate Investment Trust, a collective investment scheme authorised under section 104 of the SFO and constituted by the Trust Deed
SFC	Securities and Futures Commission of Hong Kong
SFH	S.F. Holding Co., Ltd. (順豐控股股份有限公司), a company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange, and is a controlling unitholder of SF REIT
SFH Group	SFH and its subsidiaries
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
sq.m.	square metre
substantial holder(s)	has the meaning ascribed to this term under the REIT Code
Trust Deed	trust deed dated 29 April 2021 entered into between the Trustee and the REIT Manager constituting SF REIT
Trustee	DB Trustees (Hong Kong) Limited, as trustee of SF REIT
Tsing Yi Property	the property owned by SF REIT in Tsing Yi, Hong Kong, and its exact location is set out in Note 13(ii) to the condensed consolidated interim financial information of this report
unit(s)	unit(s) of SF REIT (unless the context requires otherwise)
Unitholder(s)	holder(s) of unit(s) of SF REIT
VAT	value added tax
Wuhu Fengtai	蕪湖市豐泰電商產業園管理有限公司 (Wuhu Fengtai E-Commerce Industrial Park Management Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of SF REIT



Glossary

**Wuhu Operations
Management Agreement**

has the meaning ascribed to this term under the “Connected Party Transactions” section of this report

Wuhu Property

the property owned by SF REIT in Wuhu, Mainland China, and its exact location is set out in Note 13(ii) to the condensed consolidated interim financial information of this report

%

per cent



Corporate Information

Board of Directors of REIT Manager

Chairman and Non-executive Director

Mr. WANG Wei (*resigned on 18 August 2023*)

Mr. HO Chit (*appointed as the Chairman on 18 August 2023*)

Executive Director and Chief Executive Officer

Mr. Hubert CHAK

Non-executive Directors

Ms. OOI Bee Ti

Ms. GAN Ling

Ms. LI Juhua (*appointed on 18 August 2023*)

Independent Non-executive Directors

Mr. TAN Huay Lim

Mr. HO Lap Kee, MH, JP

Mr. CHAN Ming Tak, Ricky

Mr. KWOK Tun Ho, Chester

Mr. Michael Tjahja SUSANTO

Responsible Officers of REIT Manager

Mr. Hubert CHAK

Mr. HONG Kam Kit, Eddie

Mr. YEUNG Tak Him, Clarence

Company Secretary of REIT Manager

Ms. CHING Wai Fong

Trustee

DB Trustees (Hong Kong) Limited

Principal Valuer

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Auditor

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

Registered Office of REIT Manager

Room 2002, 20th Floor, Lee Garden Six

111 Leighton Road

Causeway Bay

Hong Kong

Unit Registrar and Transfer Office

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Telephone: (852) 2980 1333

Email: is-enquiries@hk.tricorglobal.com

Investor's Enquiry

Telephone: (852) 3690 8134

Facsimile: (852) 3690 8132

Email: irsfreit@sf-express.com

Website

www.sf-reit.com

Listing of the Units

Hong Kong Stock Exchange (stock code: 2191)

