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SF Real Estate Investment Trust
順豐房地產投資信託基金

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

Managed by
SF REIT Asset Management Limited

(Stock Code: 2191)

ANNOUNCEMENT OF FINAL RESULTS
FOR THE PERIOD FROM 29 APRIL 2021 (DATE OF ESTABLISHMENT)
TO 31 DECEMBER 2021

SF Real Estate Investment Trust (“**SF REIT**”) is a real estate investment trust constituted by the trust deed (the “**Trust Deed**”) entered into between SF REIT Asset Management Limited (the “**REIT Manager**”), as the manager of SF REIT, and DB Trustees (Hong Kong) Limited, as the trustee of SF REIT, on 29 April 2021 (the “**Date of Establishment**”). The units of SF REIT were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 May 2021 (the “**Listing Date**”).

The board of directors (the “**Board**”) of the REIT Manager is pleased to announce the audited consolidated final results of SF REIT and its subsidiaries (the “**Group**”) for the period from 29 April 2021 (Date of Establishment) to 31 December 2021 (the “**Reporting Period**”).

FINANCIAL HIGHLIGHTS

For the Reporting Period (unless otherwise specified)

Revenue (HK\$'million)	244.3
Net property income (HK\$'million)	194.9
Total distributable income (HK\$'million) ⁽¹⁾	137.9
Distribution per unit (HK cents)	17.24
Pay-out ratio (%)	100%

As at 31 December 2021

Appraised value of the portfolio (HK\$'million)	6,541.8
Net assets per unit (HK\$)	5.11
Gearing ratio (%) ⁽²⁾	30.6

(1) Total distributable income is reported for the period from 17 May 2021 (Listing Date) to 31 December 2021 (the “Relevant Period”).

(2) Gearing ratio is defined as a percentage of total borrowings over total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2021, with the successful roll-out of vaccination programmes, major economies around the world began gradual uplift of lockdown restrictions and made great progress towards recovery. However, the advent of different variants of the coronavirus disease 2019 (“COVID-19”) disrupted the recovery pace and geo-political concerns continued to affect sentiments. In Mainland China, disruptions from sporadic outbreaks of COVID-19, interruptions to industrial production, power outages, protracted financial stress among property developers and continuing Sino-US tensions all contributed to a slowdown in the second-half of 2021.

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

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

OPERATIONS REVIEW

Our portfolio comprises three modern logistics properties strategically located in Tsing Yi (the “**Tsing Yi Property**”), Hong Kong as well as Foshan (the “**Foshan Property**”) and Wuhu (the “**Wuhu Property**”), Mainland China. These three properties are all within key logistics hubs which were initially developed to support the logistics operations of members of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (“**SFH**”, and together with its subsidiaries, collectively the “**SFH Group**”). The Tsing Yi Property is a multi-tenants property while the Wuhu Property is majority occupied by the SFH Group and the Foshan Property is a built-to-suit property leased almost entirely to the SFH Group.

As at 31 December 2021, the average occupancy rate of the portfolio was 95.8% (30 June 2021: 95.7%) with a weighted average lease expiry (“**WALE**”) of 4.1 years by gross lettable area (“**GLA**”) with the SFH Group tenants occupying 80% of the GLA and contributed 76.6% of the total revenue for the Reporting Period. All the then subsisting leases with the SFH Group tenants were renewed in May 2021, prior to the listing of SF REIT, for a term of five years. This provided a solid base and a high degree of income stability for SF REIT.

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

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

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

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

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

FINANCIAL REVIEW

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

Operating Results

Demand for logistics services remained strong during the Reporting Period supporting demand for logistics properties. Operating performance of our portfolio was stable and supported by the SFH Group occupying 80% of the GLA of the overall portfolio. The proactive asset management strategy focusing on stable occupancy and rental rates also contributed to the overall performance of SF REIT during the Reporting Period.

For the Reporting Period, SF REIT recorded a revenue of HK\$244.3 million, which is 3.3% higher than the forecast set out in its offering circular dated 5 May 2021 (the “**Offering Circular**”). The Tsing Yi Property contributed HK\$191.6 million (78.4% of the total revenue) and the Foshan Property and the Wuhu Property contributed HK\$36.8 million and HK\$15.9 million, respectively. After deducting property operating expenses of HK\$49.4 million, net property income came in at HK\$194.9 million. The total distributable income for the Relevant Period was HK\$137.9 million which is the same as the forecast set out in the Offering Circular.

Distribution Policy and Distribution

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

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

Financial Position

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

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

Portfolio Valuation

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

Capital Management

The banking facilities of SF REIT currently include:

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

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

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

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

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

Use of Proceeds from Listing

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

OUTLOOK AND STRATEGY

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

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

		For the period from 29 April 2021 (Date of Establishment) to 31 December 2021
	Note	HK\$'000
Revenue	4	244,274
Property operating expenses	6	<u>(49,386)</u>
Net property income		194,888
General and administrative expenses		(29,328)
Fair value changes on investment properties		80,838
Other losses – net		<u>(2,924)</u>
Operating profit	7	243,474
Finance income		109
Finance costs		<u>(22,693)</u>
Profit before tax and transactions with Unitholders		220,890
Income tax expenses	8	<u>(46,619)</u>
Profit for the period, before transactions with Unitholders		174,271
Distribution paid to Unitholders		<u>–</u>
Profit for the period, after transactions with Unitholders		<u><u>174,271</u></u>
Basic earnings per unit	9	<u><u>HK 21.78 cents</u></u>
Diluted earnings per unit	9	<u><u>HK 21.78 cents</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

Note:

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	As at 31 December 2021 HK\$'000
ASSETS		
Non-current assets		
Investment properties	10	6,541,755
Property, plant and equipment		14,171
Land use rights		673
Intangible assets		312
		<u>6,556,911</u>
Current assets		
Trade receivables	11	344
Amounts due from related companies		6,460
Prepayments and other receivables		16,332
Restricted cash		32,060
Cash and cash equivalents		397,453
		<u>452,649</u>
Total assets		<u>7,009,560</u>
LIABILITIES		
Current liabilities		
Borrowings		35,338
Trade payables	12	1,547
Amounts due to related companies		87,696
Other payables		94,262
Current tax liabilities		1,510
		<u>220,353</u>
Non-current liabilities, excluding net assets attributable to Unitholders		
Borrowings		2,106,153
Deferred tax liabilities		561,095
Deferred government grants		30,285
		<u>2,697,533</u>
Net current assets		<u>232,296</u>
Total assets less current liabilities		<u>6,789,207</u>
Total liabilities, excluding net assets attributable to Unitholders		<u>2,917,886</u>
Net assets attributable to Unitholders		<u>4,091,674</u>
Units in issue (Thousand)		<u>800,000</u>
Net assets per unit attributable to Unitholders		<u>HK\$5.11</u>

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS**

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

	Note	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 HK\$'000
As at 29 April 2021 (Date of Establishment)		
Units issued for acquisition of subsidiaries (Note (i))	13	1,394,400
Units issued for initial offering (Note (ii))		2,589,600
Units issuance cost		(71,304)
Profit for the period, before transactions with unitholders		174,271
Appropriation to PRC statutory reserve		2,494
Exchange gain on translation of financial statements		2,213
		<u>4,091,674</u>
As at 31 December 2021		<u>4,091,674</u>

Notes:

- (i) The amount represents 280,000,000 units issued at the offer price of HK\$4.98 per unit to settle part of the asset injection consideration in relation to the acquisition of the sole issued share of Golden Bauhinia Logistics Holdings Limited (“**Golden Bauhinia**”) and the assignment of certain loans from a related company. Details are set out in Note 13.
- (ii) The amount represents 520,000,000 units issued for the initial offering of SF REIT on 17 May 2021 at the offer price of HK\$4.98 per unit.

CONSOLIDATED DISTRIBUTION STATEMENT

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

	Note	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 HK\$'000
Profit for the period from 29 April 2021 (Date of Establishment) to 31 December 2021, before transactions with Unitholders		174,271
Adjustments:		
– Fair value changes on investment properties		(80,838)
– Negative goodwill	7	(395)
– Differences between finance cost and interest paid in accordance with contractual obligations		515
– Deferred tax charges		26,837
– Depreciation and amortisation		996
– Appropriation to PRC statutory reserve		(2,494)
– Listing expenses	7	15,335
– Amortisation of cost of debt		415
– Historical tax losses utilised		15,590
– Amortisation of government grants	7	(429)
– Differences between accounting rental income and contractual rental income		(9,915)
– Net provision for impairment losses of financial assets	7	(7)
– Amounts not available for distribution (Note (i))		(1,966)
Total distributable income		137,915
Interim distribution, to be paid to the Unitholders		26,697
Final distribution, to be paid to the Unitholders		111,218
		<u>137,915</u>
Percentage of distribution over total distributable income for the period (Note (ii))		100%
Total distributions to Unitholders		137,915
Units in issue as at 31 December 2021 (Thousand)		800,000
Distributions per unit to Unitholders:		
– Interim distribution per unit, to be paid to the Unitholders		HK 3.34 cents
– Final distribution per unit, to be paid to the Unitholders		HK 13.90 cents
Distribution per unit for the period		<u>HK 17.24 cents</u>

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

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

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

2. Basis of preparation

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

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

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

3. Accounting policies

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

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

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

4. Revenue

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

Note:

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

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

	As at 31 December 2021 HK\$'000
Within one year	315,200
Between one and two years	322,315
Between two and three years	293,280
Between three and four years	281,920
Between four and five years	86,754
More than 5 years	12,314
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	1,311,783
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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 two property companies in the PRC, which are principally engaged in property investment. Revenue recognised for the current period is mainly from rental income and management service income from tenants. The REIT Manager evaluates the Group's performance from a geographic perspective and identifies two reportable segments of its business, Hong Kong and the PRC.

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

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

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

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

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

6. Property operating expenses

**For the period from
29 April 2021 (Date
of Establishment)
to 31 December
2021
HK\$'000**

Property management fees (Note)	24,592
Rates and government rent	5,493
Repairs and maintenance	5,963
Electricity and water fee	4,533
Other taxes	7,163
Others	1,642
	<hr/>
	49,386
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Note:

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

7. Operating Profit

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

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

Note:

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

8. Income tax expenses

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

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

**For the period from
29 April 2021 (Date
of Establishment) to
31 December 2021**
HK\$'000

Current income tax	
– PRC CIT	4,192
Deferred income tax	42,427
	<hr/>
	46,619
	<hr/> <hr/>

9. Earnings per unit

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

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

Profit for the period, before transactions with Unitholders (HK\$'000)	174,271
	<hr/> <hr/>
Weighted average number of units for the period (Thousand)	800,000
	<hr/> <hr/>
Basic and diluted earnings per unit	HK 21.78 cents
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Basic and diluted earnings per unit are the same as the Group did not have any dilutive instruments during the period from 29 April 2021 (Date of Establishment) to 31 December 2021.

10. Investment properties

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

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

Details of the investment properties as at 31 December 2021 are set out below:

Description of property	Location	Appraised values HK\$'000
Asia Logistics Hub – SF Centre	No. 36 Tsing Yi Hong Wan Road (Tsing Yi Town Lot No. 180), Tsing Yi, New Territories, Hong Kong	5,660,000
Foshan Guicheng Fengtai Industrial Park	The northern side of Guanli Road and the western side of Guihe Road, Nanhai District, Foshan City, Guangdong Province, the PRC	595,261
Wuhu Fengtai Industrial Park	No. 61 Longteng Road, Jiujiang District, Wuhu City, Anhui Province, the PRC	286,494
		<hr/>
		<u><u>6,541,755</u></u>

(i) Valuation process

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

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

(ii) Valuation techniques

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

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

11. Trade receivables

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

Note:

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

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

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

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

	As at 31 December 2021 HK\$'000
Within 30 days	6,751
	<hr/> <hr/>

12. Trade payables

**As at 31
December 2021**
HK\$'000

Trade payables	1,547
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As at 31 December 2021, the ageing analysis of trade payables, based on invoice date, was as follows:

**As at
31 December 2021**
HK\$'000

Within 30 days	1,547
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13. Business combination

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

(a) Consideration

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

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

Note:

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

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

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

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

Notes:

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

(c) Negative goodwill arising from the acquisition

	HK\$'000
Consideration (Note 13(a))	5,610,687
Less: Settlement of assigned loans from a related company	(2,705,834)
Less: Net assets acquired (Note 13(b))	(2,905,248)
	<hr/>
Excess of fair value of the identifiable net assets over the consideration	<u><u>(395)</u></u>

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

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

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 HK\$'000
Cash consideration paid for the acquisition of the Golden Bauhinia Group and settlement of assigned loans from a related company	4,216,287
Less: Cash and cash equivalents acquired (Note 13(b))	<u>(88,153)</u>
Net cash outflow	<u><u>4,128,134</u></u>
Represented:	
The acquisition of net assets of the Golden Bauhinia Group	1,510,453
Less: Cash and cash equivalents acquired (Note 13(b))	<u>(88,153)</u>
The acquisition of net assets of the Golden Bauhinia Group, net of cash and cash equivalents acquired	1,422,300
The settlement of assigned loans from a related company	<u>2,705,834</u>
	<u><u>4,128,134</u></u>

(e) Revenue and profit contribution of the Golden Bauhinia Group

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

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

CHANGE IN BOARD COMPOSITION DURING THE RELEVANT PERIOD

As at the date of this announcement, the Board is comprised of ten Directors, including one Executive Director, four Non-executive Directors and five Independent Non-executive Directors. Nine out of the ten Directors were appointed prior to the Listing Date with one additional Independent Non-executive Director (Mr. Michael Tjahja SUSANTO) being appointed on 30 June 2021. Save as disclosed, there was no change to the Board members during the Relevant Period and up to the date of this announcement.

EMPLOYEE

SF REIT is an externally managed real estate investment trust and does not employ any staff directly.

APPRECIATION

The Board would like to thank all staff of the REIT Manager as well as investors, business partners and other stakeholders of SF REIT for their support and confidence.

REVIEW OF FINAL RESULTS

The final results and the consolidated financial statements of SF REIT for the Reporting Period have been reviewed by the audit committee of the REIT Manager in conjunction with SF REIT's external auditor, PricewaterhouseCoopers and have also been reviewed by the disclosures committee of the REIT Manager.

The figures in this final results announcement have been agreed by PricewaterhouseCoopers, the external auditor of SF REIT, to the amounts set out in the audited consolidated financial statements for the Reporting Period of SF REIT. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by PricewaterhouseCoopers on this final results announcement.

CORPORATE GOVERNANCE

The REIT Manager is committed to upholding high corporate governance standards and has put in place a series of policies and procedures to promote SF REIT's operation in a transparent manner and with built-in checks and balances. Throughout the Relevant Period, SF REIT and the REIT Manager complied with the REIT Code, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Trust Deed and in all material respects the REIT Manager's compliance manual. SF REIT and the REIT Manager had also applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the Relevant Period.

BUY-BACK, SALE OR REDEMPTION OF LISTED UNITS OF SF REIT

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

PUBLIC FLOAT

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

DISTRIBUTION AND CLOSURE OF REGISTER OF UNITHOLDERS

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

DESPATCH OF ANNUAL REPORT

The annual report of SF REIT for the Reporting Period will be despatched to Unitholders on or before 30 April 2022.

2022 ANNUAL GENERAL MEETING OF UNITHOLDERS

The date and notice of the 2022 annual general meeting of Unitholders of SF REIT will be published and issued respectively in accordance with the Trust Deed.

By Order of the Board
SF REIT Asset Management Limited
(as manager of SF Real Estate Investment Trust)
WANG Wei
Chairman of the Board

Hong Kong, 17 March 2022

As at the date of this announcement, the Board comprises Mr. WANG Wei as Chairman and Non-executive Director; Mr. Hubert CHAK as Executive Director and Chief Executive Officer; Ms. NG Wai Ting, Mr. YANG Tao and Mr. LEONG Chong as Non-executive Directors; and Mr. TAN Huay Lim, Mr. HO Lap Kee, MH, JP, Mr. CHAN Ming Tak, Ricky, Mr. KWOK Tun Ho, Chester and Mr. Michael Tjahja SUSANTO as Independent Non-executive Directors.