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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)

Managed by
SF REIT Asset Management Limited

ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of SF REIT Asset Management Limited (the “**REIT Manager**”) is pleased to announce the audited consolidated final results of SF Real Estate Investment Trust (“**SF REIT**”) and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Year**”). The final results and the consolidated financial statements of the Group for the Year have been approved for issue by the Board on 14 March 2024.

PERFORMANCE HIGHLIGHTS

	For the year ended 31 December 2023 HK\$ million	For the year ended 31 December 2022 HK\$ million	Changes
Revenue	444.9	421.5	+5.6%
Net property income	357.7	343.6	+4.1%
Distributable income	230.0	221.9	+3.7%
Distribution per unit (HK cents)	28.66	27.74	+3.3%
Payout ratio	100%	100%	–
	As at 31 December 2023	As at 31 December 2022	Changes
Occupancy rate	98.0%	98.2%	-0.2
Portfolio value (HK\$ million)	7,388.2	7,377.6	+0.1%
Net asset value per unit (HK\$)	5.26	5.32	-1.1%
Gearing ratio	33.3%	33.9%	-0.6

MARKET OVERVIEW

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

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

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

OPERATIONS REVIEW

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

Note:

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

SF REIT's portfolio comprises four logistics properties strategically located in Tsing Yi, Hong Kong ("**Tsing Yi Property**") as well as Changsha, in Hunan Province ("**Changsha Property**"), Foshan, in Guangdong Province ("**Foshan Property**") and Wuhu, in Anhui Province ("**Wuhu Property**"), Mainland China. These four 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**", together with its subsidiaries, collectively "**SFH Group**").

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

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

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

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

Hong Kong

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

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

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

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

Mainland China

Changsha, Hunan

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

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

Foshan, Guangdong

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

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

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

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

Wuhu, Anhui

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

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

FINANCIAL REVIEW

Financial Performance

Operating Results

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

Notes:

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

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

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

Distribution

Under the Code on Real Estate Investment Trusts (the “**REIT Code**”) and the trust deed constituting SF REIT (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). The total distributable income for the Year was HK\$230.0 million (2022: HK\$221.9 million) representing the profit before transactions with Unitholders as adjusted to eliminate the effects of the adjustments as set out in the Trust Deed, which mainly include fair value changes on investment properties and deferred tax charges as mentioned in the Consolidated Distribution Statement in this announcement.

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

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

Financial Position

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

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

Portfolio Valuation

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

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

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

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

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

Capital Management

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

- (i) a five-year term loan facility for a principal amount up to HK\$2,159 million (the “**HK\$ Term Loan**”) at interest rate of HIBOR plus 1.10% per annum maturing in May 2026 and an one-year revolving loan facility for a principal amount up to HK\$250 million at interest rate of HIBOR plus 0.85% per annum (the “**HK\$ Revolving Loan**”, together with the HK\$ Term Loan, collectively the “**HK\$ Loans**”). The HK\$ Loans are secured by Tsing Yi Property and its rental collection account;

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

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

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

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

As at 31 December 2023, SF REIT had total cash and bank balances of HK\$190.2 million (2022: HK\$274.1 million) and available banking facilities of HK\$250 million (2022: HK\$250 million). Taking into consideration the recurrent income generated from its operations, the current cash position and sources of funding available, the REIT Manager is of the view that SF REIT has sufficient financial capability to satisfy its working capital and capital expenditure requirements.

OUTLOOK AND STRATEGY

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

The Group is encouraged by initiatives such as the Strategic Plan to Expand Domestic Demand and the Implementation Plan for Expanding Domestic Demand, which provide a favorable backdrop for economic recovery in China. The e-commerce market presents a promising opportunity, driving the demand for high-quality logistics services, and SF REIT's strategically located premium logistics centers are well-positioned to meet tenants' needs and generate stable income.

Hong Kong continues to play a pivotal role as a regional logistics hub and a key gateway between mainland China and the rest of the world. The trading and logistics industry remains a major economic pillar in Hong Kong, driving local economic growth. The recent promulgation of an Action Plan on Modern Logistics Development by Hong Kong's government reflects increased focus on enhancing the logistics sector.

SF REIT's future growth will mainly come from new acquisitions, following its current investment strategy with prudence and discipline. SF REIT will leverage its strategic partnership with SFH group to seek investment opportunities that align with its objective of providing stable and sustainable returns to Unitholders.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	444,918	421,469
Property operating expenses	5	<u>(87,264)</u>	<u>(77,908)</u>
Net property income		357,654	343,561
General and administrative expenses	6	(37,440)	(31,968)
Fair value changes on investment properties	11	55,013	301,231
Other gains – net	7	<u>2,778</u>	<u>870</u>
Operating profit		378,005	613,694
Finance income		9,200	3,537
Finance costs		<u>(113,958)</u>	<u>(73,195)</u>
Profit before taxation and transactions with Unitholders		273,247	544,036
Income tax expenses	8	<u>(53,778)</u>	<u>(104,363)</u>
Profit for the year, before transactions with Unitholders		219,469	439,673
Distribution paid to Unitholders			
– 2023 interim distribution (paid on 25 September 2023)		(117,120)	–
– 2022 final distribution (paid on 28 April 2023)		(112,560)	–
– 2022 interim distribution (paid on 29 September 2022)		–	(109,388)
– 2021 final distribution (paid on 6 May 2022)		–	(137,915)
		<u>(10,211)</u>	<u>192,370</u>
Basic earnings per unit	10	HK27.38 cents	HK54.96 cents
Diluted earnings per unit	10	HK27.19 cents	HK54.96 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

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

Note:

In accordance with the Trust Deed, SF REIT is required to distribute to Unitholders not less than 90% of total distributable income for each financial year. SF REIT also has a limited life and shall continue until 80 years less one day from 29 April 2021 (Date of Establishment). Accordingly, the units contain contractual obligations of the trust to pay to Unitholders cash distributions and, upon termination of the trust, to share all net cash proceeds derived from the sales on realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with International Accounting Standard ("IAS") 32 "Financial Instruments: Presentation". Consistent with Unitholders' funds being classified as a financial liability, the distribution to Unitholders and change in net assets attributable to Unitholders, excluding issuance of new units, are part of finance costs. Accordingly, the total comprehensive income attributable to Unitholders, after the transactions with Unitholders, is zero.

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Investment properties	11	7,388,198	7,377,618
Property, plant and equipment		13,761	14,141
Land use rights		578	601
Intangible assets		133	221
Derivative financial instruments		32,950	51,214
		7,435,620	7,443,795
Current assets			
Trade receivables	12	1,794	1,689
Amounts due from related companies		8,186	6,327
Prepayments and other receivables		20,796	25,629
Restricted cash		35,645	65,912
Cash and cash equivalents		190,247	274,136
		256,668	373,693
Total assets		7,692,288	7,817,488

	Notes	2023 HK\$'000	2022 HK\$'000
LIABILITIES			
Current liabilities			
Borrowings	13	47,464	48,210
Trade payables	14	857	1,153
Amounts due to connected persons and related companies		83,437	77,378
Other payables		73,201	126,238
Current tax liabilities		3,261	5,072
		<u>208,220</u>	<u>258,051</u>
Non-current liabilities, excluding net assets attributable to Unitholders			
Borrowings	13	2,515,970	2,601,904
Deferred tax liabilities		696,727	658,279
Deferred government grants		37,753	39,261
		<u>3,250,450</u>	<u>3,299,444</u>
Net current assets		<u>48,448</u>	<u>115,642</u>
Total assets less current liabilities		<u><u>7,484,068</u></u>	<u><u>7,559,437</u></u>
Total liabilities, excluding net assets attributable to Unitholders		<u><u>3,458,670</u></u>	<u><u>3,557,495</u></u>
Net assets attributable to Unitholders		<u><u>4,233,618</u></u>	<u><u>4,259,993</u></u>
Units in issue (Thousand)		<u><u>804,762</u></u>	<u><u>800,000</u></u>
Net assets per unit attributable to Unitholders		<u><u>HK\$5.26</u></u>	<u><u>HK\$5.32</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2023

	Note	Net Assets Attributable to Unitholders HK\$'000
As at 1 January 2023		4,259,993
Units issued to REIT Manager	9	13,010
Profit for the year, before transactions with Unitholders		219,469
Distribution paid to the Unitholders		(229,680)
Exchange losses on translation of financial statements		(13,924)
Cash flow hedging reserve		<u>(15,250)</u>
As at 31 December 2023		<u><u>4,233,618</u></u>
As at 1 January 2022		4,091,674
Profit for the year, before transactions with Unitholders		439,673
Distribution paid to the Unitholders		(247,303)
Exchange losses on translation of financial statements		(66,815)
Cash flow hedging reserve		<u>42,764</u>
As at 31 December 2022		<u><u>4,259,993</u></u>

CONSOLIDATED DISTRIBUTION STATEMENT

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Profit for the year, before transactions with Unitholders		219,469	439,673
Adjustments:			
– Fair value changes on investment properties	11	(55,013)	(301,231)
– REIT Manager's fee payment in the form of units	9	27,756	–
– Differences between finance cost and interest paid in accordance with contractual obligations		89	182
– Deferred tax charges	8	42,354	93,614
– Depreciation and amortisation		2,179	1,572
– Appropriation to PRC statutory reserve		(3,129)	(3,638)
– Amortisation of cost of debt		773	744
– Amortisation of government grants		(869)	(759)
– Non-cash foreign exchange loss		373	3,734
– Differences between accrued rental income and contractual rental income		(4,029)	(11,959)
Total distributable income		229,953	221,932
Interim distribution, paid to Unitholders		117,087	109,388
Final distribution, to be paid/paid to Unitholders		112,866	112,544
Total distributions to Unitholders for the year		229,953	221,932
Percentage of distribution over total distributable income for the year (Note (i))		100%	100%
Units in issue as at year end (Thousand)		804,762	800,000
Distributions per unit to Unitholders:			
– Interim distribution per unit, paid to Unitholders (Note (ii))		HK14.64 cents	HK13.67 cents
– Final distribution per unit, to be paid/paid to Unitholders (Note (iii))		HK14.02 cents	HK14.07 cents
Distribution per unit for the year		HK28.66 cents	HK27.74 cents

Notes:

- (i) Pursuant to the Trust Deed, the distributable income is profit for the year, before transactions with Unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant year. The REIT Manager's policy is to distribute to Unitholders an amount of no less than 90% of SF REIT's annual distributable income for each financial year save for the first distribution. The REIT Manager decided to distribute 100% of the Annual Distributable Income (as defined in the Trust Deed) for the year ended 31 December 2023.
- (ii) The interim distribution per unit of HK14.64 cents for the period from 1 January 2023 to 30 June 2023 (2022 interim distribution per unit: HK13.67 cents) was calculated based on the interim distribution amount of HK\$117,087,000 (2022 interim distribution: HK\$109,388,000) over 800,000,000 units in issue as at 30 June 2023 (30 June 2022: 800,000,000 units in issue). The interim distribution was paid on 25 September 2023 (2022 interim distribution: 29 September 2022).
- (iii) The final distribution per unit of HK14.02 cents for the period from 1 July 2023 to 31 December 2023 (2022 final distribution per unit: HK14.07 cents) was calculated based on the final distribution amount of HK\$112,866,000 (2022 final distribution: HK\$112,544,000) over 804,761,976 units in issue as at 31 December 2023 (31 December 2022: 800,000,000 units in issue). The final distribution will be paid on 23 April 2024 (2022 final distribution: 28 April 2023).

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

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

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

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

2. Summary of material accounting policies

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“**IFRS**”). In addition, the consolidated financial statements include the relevant provisions of the Trust Deed, the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2023 are applied to the Group in the consolidated financial statements.

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

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

		Effective for accounting periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

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

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

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

3. Revenue

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

Notes:

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

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

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

4. Segment information

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

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

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

For the year ended 31 December 2023			
	Hong Kong	Mainland	
	HK\$'000	China	Total
		HK\$'000	HK\$'000
Segment revenue	<u>322,375</u>	<u>122,543</u>	<u>444,918</u>
Net property income	263,967	93,687	357,654
Fair value changes on investment properties	43,000	12,013	55,013
General and administrative expenses			(37,440)
Other gains – net			2,778
Finance income			9,200
Finance costs			(113,958)
Income tax expenses			<u>(53,778)</u>
Profit for the year, before transactions with Unitholders			<u><u>219,469</u></u>
For the year ended 31 December 2022			
	Hong Kong	Mainland	
	HK\$'000	China	Total
		HK\$'000	HK\$'000
Segment revenue	<u>317,634</u>	<u>103,835</u>	<u>421,469</u>
Net property income	263,553	80,008	343,561
Fair value changes on investment properties	284,000	17,231	301,231
General and administrative expenses			(31,968)
Other gains – net			870
Finance income			3,537
Finance costs			(73,195)
Income tax expenses			<u>(104,363)</u>
Profit for the year, before transactions with Unitholders			<u><u>439,673</u></u>

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

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

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

5. Property operating expenses

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

Notes:

(i) Building management fees included operations manager's fees to operations managers which are subsidiaries of S.F. Holding Co., Ltd. of approximately HK\$2,623,000 for the year ended 31 December 2023 (2022: HK\$2,140,000).

(ii) Other taxes mainly include property tax, land use tax, and stamp duty of Mainland China.

6. General and administrative expenses

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

7. Other gains – net

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

8. Income tax expenses

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

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

The differences between the Group’s expected income tax expenses, using the Hong Kong profits tax rate, and the Group’s income tax expenses for the year were as follows:

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

9. REIT Manager’s fee

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

- (i) 10% per annum of the base fee distributable income (the “**Base Fee**”). The base fee distributable income is the amount of the total distributable income to Unitholders calculated before accounting for the Base Fee payable for the year;
- (ii) 25% per annum of the difference in distribution per unit in a financial year compared to the preceding financial year, multiplied by the weighted average number of units of SF REIT in issue for such financial year (the “**Variable Fee**”); and

- (iii) not exceeding 0.5% of the acquisition price of each real estate acquired from SFH Group and not exceeding 1.0% of the acquisition price of each real estate acquired from third parties other than SFH Group, directly or indirectly, by SF REIT (pro-rated if applicable to the proportion of SF REIT’s interest in the real estate acquired) (the “**Acquisition Fee**”).

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

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

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

10. Earnings per unit

(i) Basic

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

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

(ii) Diluted

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

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

11. Investment properties

Details of the movements of investment properties are as follows:

	HK\$'000
As at 1 January 2023	7,377,618
Cost adjustments (Note)	(21,954)
Fair value changes on investment properties	55,013
Currency translation differences	(22,479)
	<hr/>
As at 31 December 2023	<u>7,388,198</u>
	 HK\$'000
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)
	<hr/>
As at 31 December 2022	<u>7,377,618</u>

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

(i) Valuation Process

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

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

(ii) Valuation Techniques

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

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

(iii) Restriction on the investment properties

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

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

(iv) Security for the Group’s borrowings

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

12. Trade receivables

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

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

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

As at 31 December 2023 and 2022, a significant portion of the trade receivables and future trade receivables were and will be pledged to secure the Group's bank borrowings.

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

	2023	2022
	HK\$'000	HK\$'000
Within 30 days	9,980	8,016

13. Borrowings

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

Bank borrowing are denominated in the following currencies:

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

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

As at 31 December 2023, the Group's investment properties of approximately HK\$7,139,731,000 (2022: HK\$7,125,185,000) (Note 11), a significant portion of trade receivables, the rental income generated from the leases of the investment properties during the terms of the borrowings, restricted bank balances of approximately HK\$35,645,000 (2022: HK\$65,912,000), 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 Group's borrowings were repayable as follows:

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

14. Trade payables

	2023	2022
	HK\$'000	HK\$'000
Trade payables	<u>857</u>	<u>1,153</u>

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

	2023	2022
	HK\$'000	HK\$'000
Within 30 days	<u>857</u>	<u>1,153</u>

APPRECIATION

During the Year and up to the date of this announcement, Mr. WANG Wei (“**Mr. WANG**”) resigned as a non-executive director of the REIT Manager and the chairman of the Board. Mr. HO Chit, a non-executive director of the REIT Manager, the chairman of the investment committee of the Board and a member of the nomination and remuneration committee of the Board, was appointed as the chairman of the Board. Ms. LI Juhua (“**Ms. LI**”) was appointed as a non-executive director of the REIT Manager. The Board is delighted to welcome Ms. LI to the REIT Manager and wishes to express its deep gratitude to Mr. WANG for his service, commitment and invaluable contribution to SF REIT.

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 the Group for the Year have been reviewed by the audit committee of the REIT Manager in conjunction with PricewaterhouseCoopers (“**PwC**”), SF REIT’s external auditor, and have also been reviewed by the disclosures committee of the REIT Manager.

The figures in this announcement have been agreed by PwC, to the amounts set out in the audited consolidated financial statements of the Group for the Year. The work performed by PwC 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 PwC on this 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 Year, 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 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 C1 of the Listing Rules throughout the Year.

ISSUE OF NEW UNITS

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

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

EMPLOYEES

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

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

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

PUBLIC FLOAT

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

FINAL DISTRIBUTION AND CLOSURE OF REGISTER OF UNITHOLDERS

The final distribution of HK14.02 cents per unit for the period from 1 July 2023 to 31 December 2023 will be paid on Tuesday, 23 April 2024 to those Unitholders whose names appear on the register of Unitholders of SF REIT on Wednesday, 3 April 2024. For the purpose of ascertaining Unitholders' entitlement to this distribution, the register of Unitholders of SF REIT will be closed from Tuesday, 2 April 2024 to Wednesday, 3 April 2024, both days inclusive, during which period no transfer of units will be registered. In order for Unitholders to qualify for this distribution, all transfer documents accompanied by the relevant unit certificates must be lodged with SF REIT's unit registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 28 March 2024.

PUBLICATION OF ANNUAL REPORT

The annual report of SF REIT for the Year will be published on the websites of the Stock Exchange and SF REIT and be despatched to Unitholders on or before 30 April 2024.

ANNUAL GENERAL MEETING OF UNITHOLDERS

The date and notice of the 2024 annual general meeting of Unitholders of SF REIT will be published and issued in accordance with the Trust Deed.

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

Hong Kong, 14 March 2024

As at the date of this announcement, the Board comprises Mr. HO Chit as Chairman and Non-executive Director; Mr. Hubert CHAK as Executive Director and Chief Executive Officer; Ms. OOI Bee Ti, Ms. GAN Ling and Ms. LI Juhua 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.