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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

- (1) MAJOR AND CONNECTED PARTY TRANSACTIONS RELATING TO ACQUISITION OF A MODERN LOGISTICS PROPERTY IN CHANGSHA;**
(2) CONTINUING CONNECTED PARTY TRANSACTIONS; AND
(3) EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Manager

ALTUS CAPITAL LIMITED

**Independent Financial Adviser to the Independent Board Committee,
the Independent Unitholders and the Trustee**



SOMERLEY CAPITAL LIMITED

The Acquisition

On 2 June 2022, SF REIT (through the Purchaser) entered into the Sale and Purchase Deed with the Seller and SF Holding (as guarantor), pursuant to which the Purchaser agreed to purchase the Changsha Property (through the purchase of the Sale Share representing the sole issued share in the Target Company) from the Seller. The Target Company indirectly holds 100% of the Changsha Property Company (which directly owns the Changsha Property) through the Changsha Intermediary Company.

The Changsha Property is located at No. 102, Hexin Road, Huangxing Town, Changsha City, Hunan Province, the PRC and has total Gross Lettable Area of approximately 120,055 sq.m. and comprises five components which consist of the following facilities: (a) a ramp-up two-storey distribution centre; (b) a three-storey warehouse with two underground levels; (c) two single-storey warehouses; (d) a nine-storey office building; and (e) three ancillary buildings. The Changsha Property comprises two land parcels, being the Phase 1 Land Parcel (with total land area of approximately 117,333 sq.m) and the Phase 2 Land Parcel (with total land area of approximately 52,512 sq.m). The Changsha Property is equipped with built-to-suit facilities, such as automatic sorting, cold storage and supply chain support facilities, to house the needs of its various logistics tenants. Further details regarding the Changsha Property are contained in section B headed “The Changsha Property” in this announcement. Upon Completion, SF REIT will (through the Target Group) hold 100% of the Changsha Property.

The Total Consideration is equal to the sum of: (a) the Share Consideration (for the acquisition of the Sale Share); and (b) the Intercompany Payables. The Share Consideration shall be paid by the Purchaser to the Seller, and is equal to the sum of: (a) the Agreed Property Value of RMB540.0 million (equivalent to approximately HK\$660.9 million), which was arrived at on an arm’s length basis after taking into account the Appraised Value of RMB550.4 million (equivalent to approximately HK\$673.6 million) as at 31 March 2022 as appraised by the Independent Property Valuer, and represents a discount of 1.9% to the Appraised Value; and (b) the Target Group Adjusted NAV as set out in the Completion Statement.

The illustrative Total Consideration is approximately RMB493.2 million (equivalent to approximately HK\$603.6 million), calculated based on the illustrative Target Group Adjusted NAV (being approximately negative RMB546.9 million (equivalent to approximately negative HK\$669.3 million)) which resulted in the illustrative Share Consideration being approximately negative RMB6.9 million (equivalent to approximately negative HK\$8.4 million) and the Purchaser’s obligation to procure the repayment of the Intercompany Payables (which will stand at approximately RMB500.1 million (equivalent to approximately HK\$612.0 million) immediately before Completion). Further details regarding the determination of the Total Consideration are contained in section A.2.1 headed “The Acquisition — Key terms of the Sale and Purchase Deed — Consideration and payment terms for the Acquisition” in this announcement.

Regulatory Implications

As at the Latest Practicable Date, (a) SFH, which wholly-owns the Manager and a Substantial Unitholder of SF REIT (being the Seller which holds 35% of the issued Units), is an associate of the Manager and the Seller, and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code); (b) the Seller is a Substantial Unitholder, and an associate of the Manager (by virtue of it being indirectly wholly-owned by SFH), and therefore is a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code); and (c) the Seller, being wholly-owned by SFH, which is in turn owned as to approximately 55% by Mingde Holding (being a company owned as to 99.9% by Mr. WANG Wei (being a Director)), is an associate of a Director, and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Accordingly, the Acquisition is a connected party transaction of SF REIT and, since the applicable percentage ratios exceed 5%, the Acquisition is subject to the announcement, circular, reporting and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Furthermore, as the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of SF REIT and is subject to the notification, announcement, circular, accountant's report and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Therefore, the Acquisition will be conditional upon, among others, the passing of the Ordinary Resolution relating to the Acquisition Matters Relating Approval.

Continuing Connected Party Transactions

On Completion, SF REIT will assume the transactions under (a) the Operations Management Agreement entered into by the Changsha Property Company with the Operations Manager; (b) the Changsha SF Leases entered into by the Changsha Property Company with the Changsha SF Connected Tenants; and (c) the Changsha SF Lease Guarantee entered into by Shenzhen SF Taisen in favour of the Changsha Property Company.

As the Operations Manager is an indirect wholly-owned subsidiary of SFH (being the holding company of the Manager and the Seller (being a Substantial Unitholder) and being owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei (being a Director)), the Operations Manager is an associate of the Manager, a Substantial Unitholder and a Director and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). The transactions under the Operations Management Agreement therefore constitute continuing connected party transactions of SF REIT upon Completion. As the applicable percentage ratios for the transactions contemplated under the Operations Management Agreement are more than 0.1% but less than 5% (even if aggregated with the

transactions under the existing operations management agreements entered into between other indirect wholly-owned subsidiaries of SF REIT and other indirect wholly-owned subsidiaries of SFH in respect of the Existing Properties located in the PRC pursuant to Rule 14A.81 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code)), these transactions will be subject to the reporting, annual review and announcement requirements but are exempt from the circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

As each of the Changsha SF Connected Tenants to the Changsha SF Leases is a subsidiary of SFH (being the holding company of the Manager and the Seller (being a Substantial Unitholder) and being owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei (being a Director)), each of the Changsha SF Connected Tenants is an associate of the Manager, a Substantial Unitholder and a Director and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). The transactions under the Changsha SF Leases therefore constitute continuing connected party transactions of SF REIT upon Completion. Each of the Changsha SF Leases subsisting as at the Completion Date is covered under and consistent with the terms of the SF Leasing Framework Agreement, as well as the terms of the SF Lease Continuing CPTs Waiver, and the transactions under such Changsha SF Leases (together with those under other existing SF Leases in respect of the Existing Properties) are expected not to exceed the SF Lease Annual Caps. Therefore, the transactions under the Changsha SF Leases will be subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) but exempt from the announcement, circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Shenzhen SF Taisen, being an indirect holding company of the Seller (being a Substantial Unitholder) and the Manager and being a direct wholly-owned subsidiary of SFH, which in turn is owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei (being a Director), is an associate of the Manager, an associate of a Substantial Unitholder and an associate of a Director, and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). The transactions under the Changsha SF Lease Guarantee therefore constitute continuing connected party transactions of SF REIT in accordance with the REIT Code. As the Changsha SF Lease Guarantee was granted for the benefit of the subsidiary of SF REIT (i.e. the Changsha Property Company after Completion), the Changsha SF Lease Guarantee constitutes financial assistance within the meaning of Rule 14A.24(4) of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) received by SF REIT from a connected person which is on normal commercial terms or better and not secured by the assets of the SF REIT Group. Accordingly, the Changsha SF Lease Guarantee would, upon Completion, be exempt from the reporting, annual review, announcement, circular and Independent Unitholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

EGM and Circular

The EGM will be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 22 June 2022 at 11:00 a.m., for the purpose of, among other things, considering and, if thought fit, passing with or without modification, the Ordinary Resolution relating to the Acquisition Matters Requiring Approval as set out in the EGM Notice.

The Circular containing, among other things: (a) a letter from the Board to the Unitholders with further information on the matters to be considered under the Acquisition Matters Requiring Approval; (b) a letter from the Independent Board Committee to Independent Unitholders regarding the matters to be considered under the Acquisition Matters Requiring Approval; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee regarding the Acquisition Matters Requiring Approval; (d) the Accountant's Report of the Target Company; (e) the Accountant's Report of the Changsha Property Company; (f) the unaudited pro forma financial information of the Enlarged Group; (g) the Independent Property Valuer's property valuation report; (h) the Market Consultant Report; and (i) the EGM Notice, will be issued and despatched to the Unitholders on or before Tuesday, 7 June 2022.

Completion of the Acquisition is subject to and conditional upon, among others, Independent Unitholders' approval being obtained at the EGM, and accordingly, may or may not take place. Unitholders and prospective investors of SF REIT are therefore advised to exercise caution when dealing in the Units.

A. THE ACQUISITION

1. Overview of the Acquisition

On 2 June 2022, SF REIT (through the Purchaser) entered into the Sale and Purchase Deed with the Seller and SF Holding (as guarantor), pursuant to which the Purchaser agreed to purchase the Changsha Property (through the acquisition of the Sale Share representing the sole issued share in the Target Company) from the Seller. The Target Company indirectly holds 100% of the Changsha Property Company (which directly owns the Changsha Property) through the Changsha Intermediary Company.

The Changsha Property is a modern logistics property strategically located in Changsha. Further details regarding the Changsha Property are contained in section B headed "The Changsha Property" below. As at the Latest Practicable Date: (i) SFH, which wholly-owns the Manager and a Substantial Unitholder of SF REIT (being the Seller which holds 35% of the issued Units), is an associate of the Manager and the Seller, and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code); (ii) the Seller is a Substantial Unitholder, and an associate of the Manager (by virtue of it being indirectly wholly-owned by SFH), and therefore is a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code); and (iii) the Seller, being wholly-owned by SFH, which

is in turn owned as to approximately 55% by Mingde Holding (being a company owned as to 99.9% by Mr. WANG Wei (being a Director)), is an associate of a Director, and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Accordingly, the Acquisition is a connected party transaction of SF REIT and, since the applicable percentage ratios exceed 5%, the Acquisition is subject to the announcement, circular, reporting and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Furthermore, as the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of SF REIT and is subject to the notification, announcement, circular, accountant's report and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

2. Key terms of the Sale and Purchase Deed

On 2 June 2022, Golden Bauhinia Logistics Holdings Limited (a SPV wholly-owned by SF REIT) as the Purchaser and the Manager entered into the Sale and Purchase Deed with SF Fengtai Industrial Park Holdings Limited as the Seller and SF Holding as the guarantor for the Acquisition.

Pursuant to the Sale and Purchase Deed, among other things: (i) the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Share representing the sole issued share in the Target Company, which through the Changsha Intermediary Company indirectly holds 100% of the Changsha Property Company (which in turn directly owns the Changsha Property) and (ii) the Purchaser agreed to procure the repayment of the Intercompany Payables.

The principal terms of the Sale and Purchase Deed are summarised as follows:

2.1 Consideration and payment terms for the Acquisition

The consideration for the acquisition of the Changsha Property (the "**Total Consideration**") is equal to the sum of: (1) the Share Consideration (for the acquisition of the Sale Share); and (2) the Intercompany Payables.

The "**Share Consideration**" shall be paid by the Purchaser to the Seller, and is equal to the sum of: (a) the Agreed Property Value; and (b) the Target Group Adjusted NAV as set out in the Completion Statement.

The "**Agreed Property Value**" of RMB540.0 million (equivalent to approximately HK\$660.9 million) was arrived at on an arm's length basis after taking into account the Appraised Value of RMB550.4 million (equivalent to approximately HK\$673.6 million) as at 31 March 2022 as appraised by the Independent Property Valuer. The Agreed Property Value represents a discount of approximately 1.9% to the Appraised Value.

The “**Target Group Adjusted NAV**” shall be equal to: (i) all assets of the Target Group (other than the Changsha Property); minus (ii) all liabilities of the Target Group (including the Intercompany Payables but excluding the deferred tax liabilities arising from the revaluation of the Changsha Property), in each case as at Completion as shown in the Completion Statement. Since the Changsha Property will be acquired by SF REIT by way of acquisition of the Sale Share, taking into account the present intention of the Manager for SF REIT to hold the Changsha Property for long-term investment purposes, the Manager’s Tax Advisers consider that it is very unlikely that the abovementioned deferred tax liabilities of approximately RMB8.8 million (equivalent to approximately HK\$10.8 million) will crystallise upon future disposal. Please refer to note 21 to the financial information set out in Appendix 2B to the Circular in relation to such deferred tax liabilities. Therefore, no account has been taken of such liabilities in the calculation of the Target Group Adjusted NAV. For illustrative purposes only, based on the Accountant’s Reports, the text of which will be set out in Appendix 2A and Appendix 2B to the Circular, and the Intercompany Payables which will remain outstanding immediately before Completion (being approximately RMB500.1 million (equivalent to approximately HK\$612.0 million)), the illustrative Target Group Adjusted NAV is approximately negative RMB546.9 million (equivalent to approximately negative HK\$669.3 million), and is mostly attributable to: (i) cash and cash equivalents of approximately RMB2.2 million (equivalent to approximately HK\$2.7 million) as at 31 December 2021; and (ii) amounts due to related parties of RMB500.1 million (equivalent to approximately HK\$612.0 million), which consist mainly of the abovementioned Intercompany Payables which will remain outstanding immediately before Completion of approximately RMB500.1 million (equivalent to approximately HK\$612.0 million). The Intercompany Payables represent the aggregate amounts outstanding under (i) the Onshore Payable owing from the Changsha Property Company to Shenzhen SF Taisen; and (ii) the Reorganisation Payable owing from the Changsha Intermediary Company to Shenzhen Fengtai and SF Holding, which will only become outstanding after 31 December 2021 as a result of the Reorganisation and therefore is not reflected in the Accountant’s Reports, the text of which will be set out in Appendix 2A and Appendix 2B to the Circular which show the audited balance sheets of the Target Company and the Changsha Property Company as at 31 December 2021.

The illustrative Total Consideration is approximately RMB493.2 million (equivalent to approximately HK\$603.6 million), calculated based on the illustrative Target Group Adjusted NAV (being approximately negative RMB546.9 million (equivalent to approximately negative HK\$669.3 million)) which resulted in the illustrative Share Consideration being approximately negative RMB6.9 million (equivalent to approximately negative HK\$8.4 million) and the Purchaser’s obligation to procure the repayment of the Intercompany Payables (which will stand at approximately RMB500.1 million (equivalent to approximately HK\$612.0 million) immediately before Completion).

Pursuant to the Sale and Purchase Deed, the Total Consideration shall be satisfied in the following manner:

- (A) at Completion, the Purchaser shall pay to the Seller an amount equal to the “**Initial Share Consideration**” of: (1) the Agreed Property Value of RMB540.0 million (equivalent to approximately HK\$660.9 million); plus/minus (2) the Target Group Adjusted NAV as set out in the Estimated Completion Statement;

- (B) at Completion, the Purchaser shall procure the repayment by the Changsha Property Company of the amount outstanding under the Onshore Payable as at the Completion Date in RMB (the “**Onshore Repayment Amount**”);
- (C) at Completion, the Purchaser shall procure the repayment by the Changsha Intermediary Company of the amount outstanding under the Reorganisation Payable as at the Completion Date in RMB (the “**Reorganisation Repayment Amount**”); and
- (D) within ten Business Days after agreement or determination of the Completion Statement:
 - (i) if the Target Group Adjusted NAV as set out in the Completion Statement is higher than the Target Group Adjusted NAV as set out in the Estimated Completion Statement, the Purchaser shall pay the difference to the Seller; and
 - (ii) if the Target Group Adjusted NAV as set out in the Completion Statement is lower than the Target Group Adjusted NAV as set out in the Estimated Completion Statement, the Seller shall repay the difference to the Purchaser,

with such difference payable by the Purchaser or the Seller being the “**True-up Payment**”.

If the Initial Share Consideration is a negative figure, the Seller shall pay to the Purchaser at Completion a sum equal to such negative figure (as if it were a positive figure for this purpose) as consideration for the Purchaser in substance acquiring a negative equity of the Target Company.

The Manager shall publish further announcement(s) regarding the Initial Share Consideration, the Onshore Repayment Amount, the Reorganisation Repayment Amount and the True-up Payment as soon as practicable after such amounts have been determined.

2.2 Conditions precedent under the Sale and Purchase Deed

Completion of the Acquisition is subject to and conditional upon satisfaction of the following conditions (collectively, the “**Conditions**”):

- (a) RMB267.2 million (equivalent to approximately HK\$327.0 million) being available for drawdown under the Onshore Term Loan (which will be utilised by the Changsha Property Company to repay the Onshore Payable), and there being no material breach by the relevant member of the Target Group of any documents executed pursuant to the Onshore Term Loan;

- (b) HK\$259.0 million (equivalent to approximately RMB211.6 million) being available for drawdown under the Extended Offshore Term Loan (which will be utilised by the Changsha Intermediary Company to repay the Reorganisation Payable), and there being no material breach by the relevant member of the SF REIT Group of any documents executed pursuant to the Extended Offshore Term Loan;
- (c) there being no material damage to the Changsha Property, no compulsory acquisition or resumption of the Changsha Property and no notice of such intention received from any government authority on or before Completion;
- (d) there being no material breach of the warranties of the Seller and SF Holding under the Sale and Purchase Deed; and
- (e) the resolution approving the Acquisition Matters Requiring Approval having been passed by Independent Unitholders at the EGM.

To the extent permitted by the REIT Code, the Listing Rules and other applicable laws, rules and regulations, the Purchaser may waive either in whole or in part at any time by notice in writing to the Seller any of the Conditions (except for Condition (e)).

The Manager would only consider waiving Conditions (c) and/or (d) (through the Purchaser), if:

- (a) the material damage or material breach concerned is (i) quantifiable and (ii) practicable remedial measures are available to mitigate such breach or damage; and
- (b) such waiver, in the view of the Manager, would not (i) be detrimental to the interest of Unitholders; and (ii) contravene the REIT Code, the Listing Rules and other applicable laws, rules and regulations.

Unless the parties to the Sale and Purchase Deed agree otherwise in writing, if any of the Conditions have not been fulfilled or waived (if applicable) on or before the Long Stop Date (being 31 August 2022, or such other date as agreed by the Purchaser and the Seller in writing), then the Purchaser shall not be bound to proceed with the purchase of the Sale Share and the Seller shall not be bound to proceed with the sale of the Sale Share, and the Sale and Purchase Deed shall terminate.

2.3 Completion of the Acquisition

Pursuant to the terms of the Sale and Purchase Deed, Completion shall take place on the day falling five Business Days after the date on which all the Conditions have been fulfilled (or waived, if applicable), or such other date as may be agreed by the Purchaser and the Seller in writing. As soon as practicable following Completion, the Manager will issue an announcement to inform Unitholders that Completion has occurred. Upon Completion, the Target Company will become a wholly-owned subsidiary of SF REIT.

2.4 Termination of the Sale and Purchase Deed

If Completion has not taken place due to the failure of the Seller or the Purchaser (as the case may be) to satisfy its completion obligations under the Sale and Purchase Deed, the Purchaser or the Seller (as the case may be) may by written notice terminate the Sale and Purchase Deed.

The Manager shall publish an announcement as soon as practicable if the Purchaser or the Seller (as the case may be) terminates the Sale and Purchase Deed by written notice due to the failure of the Seller or the Purchaser (as the case may be) to satisfy its completion obligations under the Sale and Purchase Deed.

2.5 Representations, warranties, indemnities and covenants in the Sale and Purchase Deed

2.5.1 Representations and warranties

The Sale and Purchase Deed contains customary representations and warranties (including fundamental warranties relating to title to the Sale Share and to the Changsha Property, and other warranties relating to tax and compliance with all applicable laws, rules and regulations by the members of the Target Group in conducting their respective businesses) to be made by the Seller in respect of the members of the Target Group and the Changsha Property.

The maximum aggregate liability of the Seller and SF Holding in respect of claims under the warranties shall not exceed the amount equal to the Total Consideration. Such claims shall only be recoverable from the Seller and SF Holding if (a) the amount of each of such claims exceeds RMB0.5 million; and (b) the aggregate amount recoverable in respect of all of such claims exceeds RMB5 million, in which case the Seller and SF Holding will be liable for the entire amount.

The Sale and Purchase Deed also provides for a limitation period of three years after the Completion Date for claims under the warranties (other than those claims relating to fundamental warranties in respect of the title to the Sale Share and to the Changsha Property and tax warranties, in which case the limitation period is seven years after the Completion Date).

Taking into consideration: (a) the abovementioned representations and warranties coverage (including the abovementioned liability caps and limitation periods) which the Manager considers to be fair and reasonable as they are in line with normal commercial terms expected in similar transactions; (b) the unconditional and irrevocable guarantee provided by SF Holding as to the due and punctual payment of all amounts payable by the Seller under the Sale and Purchase Deed and due and punctual performance and observance by the Seller of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Sale and Purchase Deed (please refer to section A.2.6 below); (c) the satisfactory results of the Manager's

due diligence review in respect of the Target Group and the Changsha Property; and (d) the PRC's Legal Advisers' opinions as set out in sections B.6.1, B.6.2, and B.6.3 below, the Manager is satisfied that the abovementioned representations and warranties are considered to be sufficient in the circumstances and the interests of SF REIT and Unitholders are adequately protected. The view of the Independent Financial Adviser in respect of the representations and warranties under the Sale and Purchase Deed will be set out in the letter from the Independent Financial Adviser to be appended to the Circular.

2.5.2 Indemnities and covenants

The Sale and Purchase Deed also contains customary indemnities from the Seller and SF Holding, both of whom have irrevocably undertaken to indemnify, on a joint and several basis, SF REIT, the Trustee, the Manager, the Purchaser and each member of the Target Group, to the fullest extent permissible by law, for any liabilities, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may incur, suffer or sustain as a result of or in connection with the following matters:

- (i) delay in payment instalments by the Changsha Property Company before Completion in the acquisition of land use rights of the Changsha Property;
- (ii) delay in commencement and completion of construction works in respect of the Changsha Property by the Changsha Property Company before Completion;
- (iii) any unauthorised decoration and modification works in respect of the Changsha Property undertaken by the Changsha Property Company before Completion;
- (iv) use and leasing out of the underground car parking spaces and equipment rooms of the Changsha Property by the Changsha Property Company before Completion; and
- (v) failure of the Changsha Property Company to register the existing leases in respect of the Changsha Property Company within the time limit prescribed by the relevant laws and regulations of the PRC before Completion.

The liabilities of the Seller and SF Holding in respect of any claim made against any indemnity (including a claim under an indemnity arising out of or in connection with a fact or circumstance which may also give rise to a claim under any warranty) shall not be subject to the liability caps and the limitation periods in respect of claims under warranties as set out above, except that (a) the maximum liability of the Seller and SF Holding in respect of any claim made against any indemnity shall be limited to the amount equal to the Total Consideration; and (b) such claim shall be subject to a limitation period ending upon the expiry of the land use rights pertaining to the Changsha Property.

In addition, the Sale and Purchase Deed contains tax covenants in respect of events occurring on or before Completion and the PRC Enterprise Income Tax payable by the Seller in respect of the Acquisition. Any claim made against any tax covenant in respect of events occurring on or before Completion shall be limited to the amount equal to the Total Consideration and be subject to a limitation period of seven years after the Completion Date.

Taking into consideration: (a) the abovementioned indemnities and covenants coverage (including the abovementioned limitation caps and limitation periods) which the Manager considers to be fair and reasonable as they are in line with normal commercial terms expected in similar transactions; (b) the unconditional and irrevocable guarantee provided by SF Holding as to the due and punctual payment of all amounts payable by the Seller under the Sale and Purchase Deed and due and punctual performance and observance by the Seller of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Sale and Purchase Deed (please refer to section A.2.6 below); (c) the satisfactory results of the Manager's due diligence review in respect of the Target Group and the Changsha Property; and (d) the PRC Legal Advisers' opinions as set out in sections B.6.1, B.6.2 and B.6.3 below, the Manager is satisfied that the abovementioned indemnities and covenants are considered to be sufficient in the circumstances and the interests of SF REIT and Unitholders are adequately protected. The view of the Independent Financial Adviser in respect of the indemnities and covenants coverage under the Sale and Purchase Deed will be set out in the letter from the Independent Financial Adviser to be appended to the Circular.

2.6 Guarantee of the Seller's obligations under the Sale and Purchase Deed

SF Holding (as guarantor) has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual payment of all amounts payable by the Seller under the Sale and Purchase Deed and due and punctual performance and observance by the Seller of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Sale and Purchase Deed.

2.7 The Seller's tax obligations

As advised by the Manager's Tax Advisers, the obligation to pay the PRC Enterprise Income Tax under Bulletin 7 for the Acquisition is borne by the Seller.

The Manager understands from its Tax Advisers that in respect of the Acquisition: (i) the Seller will first report to the relevant PRC tax authority the information in relation to the Acquisition in accordance with Article 9 of Bulletin 7 and discuss with such authority the draft tax calculation; (ii) the relevant PRC tax authority will then review the figures submitted by the Seller and inform the Seller of the amount of tax payable thereafter; and (iii) the Seller will then complete the tax filing and settle the tax payable accordingly. As advised by the Manager's Tax Advisers, it generally takes one to three months for the relevant PRC tax authority to complete the Bulletin 7 tax filings.

Pursuant to the Sale and Purchase Deed, the Seller shall, at its own expense: (a) as soon as reasonably practicable after the Completion Date (in any event not later than 30 days after the Completion Date (or such other time as may be agreed by the Purchaser and the Seller in writing after consultation with the relevant PRC tax authority)), truly, accurately and completely, report all necessary information on the entry into of the Sale and Purchase Deed and the transactions contemplated thereunder to the relevant PRC tax authority in accordance with Article 9 of Bulletin 7 and inform or procure to inform the relevant PRC tax authority that Completion has occurred; and (b) as soon as reasonably practicable after determination of the True-up Payment (in any event not later than 30 days after the date on which the True-up Payment is determined (or such other time as may be agreed by the Purchaser and the Seller in writing after consultation with the relevant PRC tax authority)), inform or procure to inform the relevant PRC tax authority of the relevant payment as an adjustment to the Initial Share Consideration.

The Seller shall provide the Purchaser with a copy of any and all of its written submission to the relevant PRC tax authority in respect of the Acquisition, and a receipt in writing (受理單/回執) (if any) issued by the relevant PRC tax authority evidencing the submission or other evidence as agreed by the Purchaser and the Seller in writing after taking into account the requirements of the relevant PRC tax authority evidencing the submission, as soon as reasonably practicable after the relevant submission has been made. The Seller shall promptly follow up with the relevant PRC tax authority in respect of its assessment to and payment of PRC tax on the Acquisition, submit all documents requested by the relevant PRC tax authority to be submitted by the Seller in connection with the Acquisition, and promptly keep the Purchaser informed of the foregoing (including providing the Purchaser with copies of all correspondences with the relevant PRC tax authority and all documents issued by the relevant PRC tax authority).

The Seller has also covenanted and undertaken in the Sale and Purchase Deed to, among other things, settle and pay in full the PRC Enterprise Income Tax payable by it arising out of or relating to the Acquisition within the time period required by applicable law, rules and regulations as applied by the relevant PRC tax authority.

As advised by the Manager's Tax Advisers, according to Bulletin 7, if a non-resident enterprise makes an indirect transfer of the equity in a PRC resident enterprise, the income from such indirect transfer of equity sourced from the PRC (i.e. the capital gain) may be levied PRC Enterprise Income Tax.

Based on the experience of the Manager's Tax Advisers with the PRC tax authorities, it was assessed that no capital gain is expected to arise under Bulletin 7 for the Seller (which is incorporated in the BVI and a non-resident enterprise for PRC tax purpose) by virtue of the indirect transfer of the Changsha Property Company as a result of the Acquisition. The Manager's Tax Advisers are of the view that there appears to be no capital gain because the aggregate transfer price adopted for the transfer of the equity interest in the Changsha Property Company to the Changsha Intermediary Company under the Reorganisation (i.e. the tax cost, being the amount of the Reorganisation Payable) is attributed to the Total

Consideration (i.e. the consideration for the indirect transfer of the Changsha Property Company as a result of the Acquisition) on a dollar-for-dollar basis, which is on a no-gain basis.

As no capital gain is expected to arise under Bulletin 7 for the Seller, the Manager's Tax Advisers confirm that there is no need for the Purchaser to withhold any PRC Enterprise Income Tax payable by the Seller under Bulletin 7 arising out of the Acquisition.

The Manager's Tax Advisers further confirmed that, in any event, the obligation on the part of the Purchaser to withhold PRC Enterprise Income Tax payable by the Seller under Bulletin 7 arising out of the Acquisition will be waived once the Seller reports to the relevant PRC tax authority the information in relation to the Acquisition in accordance with the abovementioned arrangements under the Sale and Purchase Deed.

In view of the above and the advice from its Tax Advisers, the Manager is of the view that the protection provided by the Seller in respect of tax obligations under the PRC Enterprise Income Tax Law and Bulletin 7, including the abovementioned Seller's covenants and undertakings and the unconditional and irrevocable guarantee from SF Holding, is sufficient and that the interest of Unitholders are adequately protected.

B. THE CHANGSHA PROPERTY

1. Description

The Changsha Property is located at No. 102, Hexin Road, Huangxing Town, Changsha City, Hunan Province, the PRC and has total Gross Lettable Area of approximately 120,055 sq.m. and comprises five components which consist of the following facilities: (a) a ramp-up two-storey distribution centre; (b) a three-storey warehouse with two underground levels; (c) two single-storey warehouses; (d) a nine-storey office building; and (e) three ancillary buildings. The Changsha Property comprises two land parcels, being the phase 1 land parcel (with total land area of approximately 117,333 sq.m.) (the "**Phase 1 Land Parcel**") and the phase 2 land parcel (with total land area of approximately 52,512 sq.m.) (the "**Phase 2 Land Parcel**"). The Changsha Property is equipped with built-to-suit facilities, such as automatic sorting, cold storage and supply chain support facilities, to house the needs of its various logistics tenants. Upon Completion, SF REIT will (through the Target Group) hold 100% of the Changsha Property. A simplified chart showing the expected holding structure of the Changsha Property immediately after Completion is contained in section C.4 headed "Reorganisation – Holding structure of the Changsha Property after Completion" in this announcement.

2. Location

The Changsha Property is located at Changsha Linkong Economic Development Zone, which is a typical airport and high-speed rail linkage area within the Hunan Province. The vicinity is in close proximity to major infrastructure including the airport, Beijing – Hong Kong – Macau Expressways, the Ring Expressway, Changliu Expressway, Changsha South Railway Station, and Hunan Changsha Hongxing Agricultural and Sideline Products Market. Set out below is the map showing the location of the Changsha Property.

Location of the Changsha Property



Source: Market Consultant

The Changsha Property is also located in a logistics service base that effectively serves Changsha and the central region of China. To support the development of logistics sector in Changsha, there were a series of favorable policies released by the PRC Government. For details, please refer to the Market Consultant Report, the text of which will be set out in Appendix 6 to the Circular.

3. Key information

The following table sets out certain key information relating to the Changsha Property as at 31 March 2022, except where otherwise specified:

Address:	No. 102, Hexin Road, Huangxing Town, Changsha City, Hunan Province, the PRC
Year of completion⁽¹⁾:	Between 2019 and 2021
Expiry of land use rights⁽²⁾:	30 December 2066 and 28 February 2068
Occupancy Rate:	98.9%
Average Monthly Rental per Lease Space Metre:	RMB30.0 (equivalent to HK\$36.7)
Gross Floor Area:	113,467 sq.m.
Gross Lettable Area⁽³⁾:	120,055 sq.m.
Number of tenants:	21
Number of leases:	43
Contribution of the top five tenants:	Gross Lettable Area: 104,620 sq.m. 87.1% of total Gross Lettable Area 88.6% of total monthly Gross Rental Income for the month ended 31 March 2022
Contribution of the Changsha SF Connected Tenants (including Guangdong Shunxin)⁽⁴⁾:	68.4% of the total Gross Lettable Area 68.4% of total monthly Gross Rental Income for the month ended 31 March 2022
Appraised Value⁽⁵⁾:	RMB550.4 million (equivalent to approximately HK\$673.6 million)

Total cost of the Changsha Property (being the original land acquisition cost and the construction cost attributable to the development of the Changsha Property to the Changsha Property Company) as at 31 December 2021:	RMB532.5 million (equivalent to approximately HK\$651.7 million)
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Notes:

- (1) Year of completion refers to the completion year stated in the real estate ownership certificates in respect of the aboveground levels of the Changsha Property.
- (2) According to the Interim Regulations of the People's Republic of China on the Assignment and Transfer of the Right to the Use of State Owned Land in Cities and Towns (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), when the term of the land use right expires (being 30 December 2066 for the Phase 1 Land Parcel and 28 February 2068 for the Phase 2 Land Parcel), the land user may apply for renewal. According to the land transfer contracts of the Phase 1 Land Parcel and the Phase 2 Land Parcel, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. The PRC Legal Advisers have therefore advised that the land user has the right to apply for extending the land use right in accordance with PRC laws and administrative regulations and the land transfer contracts. The PRC Legal Advisers confirmed that they do not foresee any material legal impediment for the Changsha Property Company to make such application and the Changsha Property Company to obtain such extended land use right if the application is filed within the prescribed time limit, the land does not involve social public interest and the requirements of the relevant PRC laws and regulations will be met.
- (3) According to the approved building plan and information provided by the Manager, the Gross Lettable Area of the Changsha Property includes the areas of facilities and structures (such as material handling system that are partially or completely not required to be recorded on the title certificates) which can be used and leased out. As a result, the Gross Lettable Area of the Changsha Property is higher than its Gross Floor Area in this circumstance.
- (4) Guangdong Shunxin was a Changsha SF Connected Tenant as at 31 March 2022, and therefore, the contribution of the Changsha SF Connected Tenants as at 31 March 2022 included the same from Guangdong Shunxin. As at the Latest Practicable Date, all leases of Guangdong Shunxin in respect of the Changsha Property have been transferred to a SF Connected Tenant and Guangdong Shunxin ceased to be a SF Connected Tenant.
- (5) As determined by the Independent Property Valuer in its valuation report dated 31 March 2022, the text of which will be set out in Appendix 5 to the Circular.

4. Operating statistics

4.1 Tenant profile and details of tenancy mix

The table below sets out details of the overall tenant diversification of the Changsha Property, in terms of sub-sector by reference to the tenant's Gross Lettable Area as a percentage of the leased Gross Lettable Area as at 31 March 2022, and the percentages of their respective contributions to the Gross Rental Income as a percentage of the total Gross Rental Income for the month ended 31 March 2022:

Sector	Gross Lettable Area as a percentage of the leased Gross Lettable Area for the month ended 31 March 2022 (%)	Gross Rental Income as a percentage of the total Gross Rental Income for the month ended 31 March 2022 (%)
Logistics	77.8	76.6
Food and Beverage	11.4	15.7
Technology	10.6	7.5
Others	0.2	0.2
Total	100.0	100.0

4.2 Schedule of tenancy expirations

According to the Valuation Report, the following table sets forth details of the percentage of expiries in respect of the leases of the Changsha Property as at 31 March 2022, which are scheduled to take place during the periods indicated below:

Period	Gross Lettable Area of leases expiring as a percentage of leased Gross Lettable Area⁽²⁾ (%)	Gross Rental Income of leases expiring as a percentage of total Gross Rental Income⁽²⁾ (%)
Year ending 31 December 2022 ⁽¹⁾	49.3	48.1
Year ending 31 December 2023 ⁽¹⁾	9.7	11.7
Year ending 31 December 2024 ⁽¹⁾	30.6	26.4
Year ending 31 December 2025	9.3	13.8
Vacant	1.1	—
Total	100.0	100.0

Notes:

- (1) As at 31 March 2022, approximately 68.4% in terms of leased Gross Lettable Area, or 68.4% in terms of Gross Rental Income for the month ended 31 March 2022 of these expiring leases are already in the process of negotiating renewal agreements.
- (2) The figures were computed assuming that there is no exercise of any lease renewal rights and the leases terminate after their fixed lease terms.

4.3 Top 5 tenants by Gross Lettable Area as at 31 March 2022

The following table sets forth details of the top 5 tenants by Gross Lettable Area as at 31 March 2022:

No.	Sector	Tenancy expiry dates	Gross Lettable Area ⁽²⁾ (sq.m)	Proportion of Gross Lettable Area ⁽²⁾ (%)	Monthly Gross Rental Income ⁽²⁾ (RMB/month)	Proportion of monthly Gross Rental Income ⁽²⁾ (%)
1.	Logistics ⁽³⁾	Sep 2022 – Nov 2022 ⁽¹⁾	45,347	37.8	1,308,882	36.7
2.	Logistics ⁽³⁾	Jun 2022 – Apr 2024 ⁽¹⁾	22,974	19.1	722,818	20.3
3.	Logistics ⁽³⁾	Sep 2022 – Aug 2023 ⁽¹⁾	13,606	11.3	400,375	11.2
4.	Food & Beverages	Nov 2024 – Jan 2025	12,116	10.1	515,654	14.5
5.	Technology	Aug 2024 – Nov 2024	10,577	8.8	211,722	5.9

Notes:

- (1) As at 31 March 2022, all of the tenancies are already in the process of negotiating renewal agreements.
- (2) If tenancy agreements for different premises are entered into by different entities belonging to the same group, they are treated as a single tenant, and the relevant figures are combined for the purpose of this table.
- (3) These tenants are the Changsha SF Connected Tenants as of 31 March 2022 (being subsidiaries of SFH and including Guangdong Shunxin).

4.4 Rental yield

Based on the Appraised Value and audited financial information of the Changsha Property Company, the text of which is set out in Appendix 2B to the Circular, the rental yield of the Changsha Property (as calculated by dividing the rental income of the Changsha Property Company by the Appraised Value) is 5.7% for the year ended 31 December 2021.

4.5 Delinquency rates

No provision was made for unpaid rents and there were no major rental delinquencies or dispute in respect of the Changsha Property for the years ended 31 December 2019, 2020 and 2021.

5. Property valuation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the current principal valuer of SF REIT, has been appointed as the Independent Property Valuer to appraise the market value of the Changsha Property for the purpose of the Acquisition. The Appraised Value (as appraised by the Independent Property Valuer as at 31 March 2022) was RMB550.4 million (equivalent to approximately HK\$673.6 million). The Agreed Property Value is RMB540.0 million (equivalent to approximately HK\$660.9 million), representing a discount of approximately 1.9% to the Appraised Value.

In arriving at the Appraised Value, the Independent Property Valuer has made use of the income capitalisation method. The income capitalisation method estimates the value of property or assets on a market basis by taking into account the fully leased net rental income of the property. This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level by capitalising both at appropriate rates. For further details on the methods and bases of the valuation of the Changsha Property, please refer to the valuation report on the Changsha Property, the text of which will be set out in Appendix 5 to the Circular.

The view of the Independent Financial Adviser in respect of the bases and assumptions adopted to arrive at the Appraised Value will be set out in the letter from the Independent Financial Adviser to be appended to the Circular.

The Appraised Value, which is arrived at with reference to the income generating ability of the Changsha Property, does not take into account the other assets and liabilities of the Target Group and is not equivalent to the value of the Target Group. However, as the Acquisition is conducted by way of the purchase of the Sale Share, the Total Consideration also takes into account other assets and liabilities of the Target Group. Accordingly, the Total Consideration will be different from the Appraised Value. Given the Agreed Property Value is at a discount to the Appraised Value, the Manager considers such amount to be fair and reasonable. For further details regarding the determination of the Total Consideration, please refer to section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.

6. Due diligence review

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Changsha Property and the Target Group, and no material irregularities or non-compliance issues have been noted as at the Latest Practicable Date. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code (including the Practice Note on Overseas Investments by SFC-authorized REITs), the Listing Rules and the Manager's compliance manual.

The due diligence conducted in respect of the Changsha Property has identified the matters as set out in sections B.6.1 to B.6.3 which are not considered by the Manager to be material irregularities or non-compliance reasons based on the reasons as mentioned in sections B.6.1 to B.6.3 and B.7.

The Building Consultant has also carried out an inspection and a survey of the Changsha Property. Such inspection revealed that both the building and structural fabrics, and the building services installations of the Changsha Property have been maintained in a good condition with only minor rectification works required to be carried out.

6.1 Ownership and title certificates

The PRC Legal Advisers have advised that the Changsha Property Company has legally obtained the state-owned land use rights and is the sole registered legal user of the land use rights in respect of the Changsha Property. The PRC Legal Advisers have also advised that the Changsha Property Company is the sole owner of the property ownership rights of the aboveground levels underlying the Changsha Property free of encumbrances and the real estate ownership certificates (不動產權證書) issued in respect of the Changsha Property. The PRC Legal Advisers are of the view that (a) the Changsha Property Company has the legal ownership of the aboveground levels of the Changsha Property and can legally

and beneficially own, use, occupy, transfer and lease out the aboveground levels of the Changsha Property; and (b) SF REIT will hold good, marketable, legal and beneficial title to the aboveground levels of the Changsha Property through the Target Group upon Completion.

The PRC Legal Advisers, however, noted that the real estate ownership certificates of the Changsha Property have not covered the underground car parking spaces and equipment rooms of the Changsha Property. In response to the PRC Legal Advisers' due diligence enquiries, the Development and Utilization Department of Changsha County Natural Resources Bureau (長沙縣自然資源局開發利用科) confirmed that the Changsha Property Company is currently unable to apply for a real estate ownership certificate for the underground car parking spaces and equipment rooms as the prevailing local policy has not provided for such application. As advised by the PRC Legal Advisers, the Development and Utilization Department of Changsha County Natural Resources Bureau (長沙縣自然資源局開發利用科) is a competent authority to give the abovementioned confirmation. Based on the search conducted in the official website of the Natural Resources Bureau of Changsha County (長沙縣自然資源局) and as confirmed by the Changsha Property Company, as at the Latest Practicable Date, the Changsha Property Company is not subject to any rectification or penalties or fines ordered by the Natural Resources Bureau of Changsha County (長沙縣自然資源局).

The PRC Legal Advisers are of the view that (a) the Changsha Property Company is entitled to apply for a real estate ownership certificate in respect of the underground car parking spaces and equipment rooms as and when the relevant policy allows for such application in due course subject to the requirements of the relevant PRC laws and regulations and the PRC Legal Advisers do not foresee any material legal impediment for such application and the Changsha Property Company to obtain such real estate ownership certificate if the requirements of the relevant PRC laws and regulations and local policies will be met; (b) the risk of the underground car parking spaces and equipment rooms being formally requisitioned and repossessed as a result of the absence of real estate ownership certificate covering such areas is low subject to the existing PRC regulations and policies; (c) the Changsha Property Company can legally occupy, use and lease out the underground car parking spaces and equipment rooms and derive and receive income therefrom, and the absence of real estate ownership certificate in respect of the underground car parking spaces and equipment rooms would not adversely affect the Changsha Property Company's right in this regard; and (d) there is no material legal impediment for the remittance of the dividends on the retained earnings of the Changsha Property Company, provided that such remittance is legally permissible and complies with the procedures required by the applicable PRC laws and regulations relating to foreign exchange and the withholding tax provisions under the PRC Enterprise Income Tax Law.

The average monthly revenue derived from the car parking spaces (including those located at both aboveground and underground levels) and the underground equipment rooms in respect of the Changsha Property during the period from May 2021 (being the month during which the developments of the Phase 2 Land Parcel were completed) to March 2022 amounted to approximately RMB21,000 (equivalent to approximately HK\$25,000), representing approximately 0.6% of the average monthly revenue derived from the Changsha Property by the Changsha Property Company during the same period.

Please refer to paragraph 20 of the section headed “Risk Factors”, the text of which will be set out in Appendix 7 to the Circular for the risk associated with the abovementioned absence of real estate ownership certificate in respect of the underground car park spaces and equipment rooms.

In view of the foregoing and the indemnity provided by the Seller and SF Holding in respect of any potential loss concerning the Changsha Property Company’s use and leasing out of the underground car parking spaces and equipment rooms of the Changsha Property, the Manager does not consider such issue posing a material risk to SF REIT or giving rise to any material adverse impact to the operation and financial conditions of SF REIT.

Based on the abovementioned views of the PRC Legal Advisers, the Manager is of the view that the SF REIT will have good, marketable, legal and beneficial title to the Changsha Property as a whole through the Target Group upon Completion, subject to the first priority mortgage over the Changsha Property in favour of the Onshore Lender to secure the Onshore Term Loan and the existing tenancies of the Changsha Property.

According to the Interim Regulations of the People’s Republic of China on the Assignment and Transfer of the Right to the Use of State Owned Land in Cities and Towns (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), when the term of the land use right expires (being 30 December 2066 for the Phase 1 Land Parcel and 28 February 2068 for the Phase 2 Land Parcel), the land user may apply for renewal. According to the land transfer contracts of the Phase 1 Land Parcel and the Phase 2 Land Parcel, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. The PRC Legal Advisers have therefore advised that the land user has the right to apply for extending the land use right in accordance with PRC laws and administrative regulations and the land transfer contracts. The PRC Legal Advisers confirmed that they do not foresee any material legal impediment for the Changsha Property Company to make such application and the Changsha Property Company to obtain such extended land use right if the application is filed within the prescribed time limit, the land does not involve social public interest and the requirements of the relevant PRC laws and regulations will be met.

6.2 Non-registration of lease agreements

As at the Latest Practicable Date, the Changsha Property Company was unable to register all of the 43 lease agreements (including all lease agreements with the SF Connected Tenants) in respect of the Changsha Property with the relevant land and real estate administration bureau, primarily due to the administrative burden resulted from the complex registration procedures. As advised by the PRC Legal Advisers, according to the Administrative Measures for Leasing of Commodity Housing (《商品房屋租賃管理辦法》), where the Changsha Property Company fails to make correction within the stipulated period, a fine of RMB1,000 to RMB10,000 shall be imposed on the Changsha Property Company for non-registration of lease agreements, and the maximum aggregate amount of penalty payable by the Changsha Property Company in respect of such unregistered lease agreements is approximately RMB0.4 million.

As advised by the PRC Legal Advisers, non-registration of the abovementioned lease agreements does not affect the Changsha Property Company's legal title to the aboveground levels of the Changsha Property, or the rights or entitlements of the Changsha Property Company to lease out the Changsha Property to tenants, or the validity or the binding effect of the lease agreements. As at the Latest Practicable Date, the Changsha Property Company has not received a request from any government authority of the PRC to complete the registration formalities or been penalised for the non-registration of the lease agreements. Please refer to paragraph 21 of the section headed "Risk Factors", the text of which will be set out in Appendix 7 to the Circular for the risk associated with the non-registration of the lease agreements.

Having regard to the above and the indemnity provided by the Seller and SF Holding which covers any penalties, liabilities, losses, damages, fines, fees, charges, premiums, expenses and costs (on a full indemnity basis) sustained, incurred or suffered as a result of the non-registration of lease agreements, the Manager does not consider this issue posing a material risk to SF REIT or giving rise to any material adverse impact to the operation and financial conditions of SF REIT.

6.3 Other minor irregularities

The PRC Legal Advisers' due diligence revealed certain minor irregularities (i.e. delay in certain payment instalments in the acquisition of land use rights of the Changsha Property, delay in commencement and completion of construction works, and some unauthorised decoration and modification works) at the acquisition and construction phases of the Changsha Property. Based on the advice of the PRC Legal Advisers, the Manager estimates that SF REIT's maximum exposure arising from the abovementioned minor irregularities after Completion amounts to RMB0.9 million. In response to the PRC Legal Advisers' due diligence enquiries, the Natural Resources Bureau of Changsha County (長沙縣自然資源局) issued a written confirmation on 25 March 2022 that the Changsha Property Company conducted its business and operations and acquired the land use rights of the Changsha Property in compliance with the relevant laws and regulations of the PRC regarding land

and planning management, and the industry management section of the Bureau of Housing and Urban-Rural Development of Changsha County (長沙縣住房和城鄉建設局行業管理科) issued a written confirmation on 24 March 2022 that it had not identified any illegal construction by the Changsha Property Company within Changsha County from 1 March 2019 to 24 March 2022. The PRC Legal Advisers confirmed that the Natural Resources Bureau of Changsha County (長沙縣自然資源局) and the industry management section of the Bureau of Housing and Urban-Rural Development of Changsha County (長沙縣住房和城鄉建設局行業管理科) are competent authorities to issue the above confirmations.

Having regard to the above, the PRC Legal Advisers are of the view that these issues present no material adverse impact on the ownership of the Changsha Property by the Changsha Property Company. The Independent Property Valuer has considered the abovementioned issues and is of the view that such issues would not affect (i) the ownership of the Changsha Property held by the Changsha Property Company based on the aforesaid PRC Legal Advisers' views or (ii) the Independent Property Valuer's opinions regarding the Appraised Value as set out in the Valuation Report.

In view of the foregoing and the indemnity provided by the Seller and SF Holding which covers any penalties, liabilities, losses, damages, fines, fees, charges, premiums, expenses and costs (on a full indemnity basis) sustained, incurred or suffered as a result of the aforesaid identified minor irregularities, the Manager does not consider these issues posing a material risk to SF REIT or giving rise to any material adverse impact to the operation and financial conditions of SF REIT.

7. Indemnity

Pursuant to the Sale and Purchase Deed, the Seller and SF Holding irrevocably undertake to indemnify, on a joint and several basis, SF REIT, the Trustee, the Purchaser, the Target Group, and the Manager, to the fullest extent permissible by law, for any liabilities, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may incur, suffer or sustain as a result of the matters described in sections B.6.1 to B.6.3 in this announcement. Any claim under the abovementioned indemnity will be subject to a maximum liability limit of the amount equal to the Total Consideration and a limitation period ending upon the expiry of the land use rights pertaining to the Changsha Property. As any potential penalties and loss payable arising from the matters described in sections B.6.1 to B.6.3 in this announcement would be covered under the indemnity provided by the Seller and SF Holding and having regard to the PRC Legal Advisers' and the Independent Property Valuer's opinions, the Manager is of the view that such matters are immaterial and are not reasonably expected to have a material and adverse impact on the ownership of the Changsha Property by the Changsha Property Company and on the operation and financial conditions and business of SF REIT. The Manager considers the aforementioned indemnity to be sufficient and that the interest of Unitholders are adequately protected. Please refer to paragraph 15 of the section headed "Risk Factors", the text of which will be set out in Appendix 7 to the Circular for the risk associated with the abovementioned indemnity.

8. Lease agreements

8.1 Duration

Each of the Changsha SF Leases entered into by the Changsha Property Company with the Changsha SF Connected Tenants subsisting as at the Completion Date is for an initial term of approximately 4 years and 8 months, which has commenced on 1 May 2022 and will expire on 31 December 2026 (the “**Initial Term Expiry Date**”). As at the Latest Practicable Date, the Changsha SF Connected Tenants comprise Shenzhen Intra-city, Hunan SF Freight and Hunan SF Express. As each of the Changsha SF Connected Tenants is a subsidiary of SFH (being the holding company of the Manager and the Seller (being a Substantial Unitholder) and being owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei (being a Director)), each of the Changsha SF Connected Tenants is an associate of the Manager, a Substantial Unitholder and a Director and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

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

The term of the Third Party Leases of the Changsha Property generally ranges from one to five years. As at 31 March 2022, more than half of the Third Party Leases were for a term of at least three years. The Third Party Leases in respect of the Changsha Property generally provide the tenants an option to renew for a further term to be agreed by the Changsha Property Company and the relevant tenants.

8.2 Other key terms of the Changsha SF Leases

8.2.1 Rent and Rental Deposit

The rent payable under the Changsha SF Leases is fixed for each year of the term, with an agreed yearly increment taking into account the market rent suggested by a professional independent valuer. Each of the Changsha SF Connected Tenants (which comprise Shenzhen Intra-city, Hunan SF Freight and Hunan SF Express as at the

Latest Practicable Date) has agreed to pay rent in advance on the first day of every three months to the Changsha Property Company in accordance with the terms of the relevant Changsha SF Lease.

Each of the Changsha SF Connected Tenants is required to provide at the start of the initial term and maintain at all times during the relevant Changsha SF Lease's term a rental deposit equivalent to the aggregate of two months' rent and property management fees. Such rental deposits are retained by the Changsha Property Company free of interest to the Changsha SF Connected Tenants.

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

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

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

8.2.2 Management fees and other expenses

Under the Changsha SF Leases, the Changsha SF Connected Tenants are generally responsible for the payment of outgoings such as property management fees and is responsible for the maintenance of the newly added decoration facilities and installed engineering equipment by the lessees, while the landlord is responsible for the maintenance of the leased place and the original facilities and equipment provided by the lessor.

8.2.3 Restriction to assignment and sublet

The Changsha SF Tenants are generally not permitted to assign or sublet the premises without the consent of the Changsha Property Company as landlord.

8.2.4 Force Majeure

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

8.2.5 Termination

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

- (a) the Changsha SF Connected Tenant is wound up;
- (b) the whole or part of the rent, management charges, charges for chilled/condensing water supply and electricity supply or any other sum required to be paid are in arrears for 30 days;
- (c) there is a material change of control in the Changsha SF Connected Tenant;
- (d) the Changsha Property Company has been served a notice or order by any government authority requiring it to rectify any non-conformity with respect to the use of the premises or any part thereof and the Changsha Property Company cannot reach an agreement with the relevant SF Connected Tenant on compliance with such notice or order; or
- (e) SF REIT is required to re-comply with, among other things, the approval requirements concerning its connected party transactions with respect to the REIT Code or the Listing Rules but such approval is not obtained.

In addition to terminating the Changsha SF Leases and re-entering the premises, the Changsha Property Company may also forfeit the rental deposits and SF REIT (through the Changsha Property Company) may also call on the Changsha SF Lease Guarantee (in case of Hunan SF Express), in the event of a payment or other default under the relevant Changsha SF Lease. For further details regarding the terms of the SF Lease Guarantee, please refer to section H.3.1 headed “Continuing Connected Party Transactions – Fully-exempt Continuing Connected Party Transactions with the SFH Group – Changsha SF Lease Guarantee” in this announcement.

Each of the Changsha SF Leases subsisting as at the Completion Date is covered under and consistent with the terms of the SF Leasing Framework Agreement, as well as the terms of the SF Lease Continuing CPTs Waiver, and the transactions under the Changsha SF Leases (together with those under other SF Leases in respect of the Existing Properties) are expected not to exceed the SF Lease Annual Caps. Therefore, the transactions under the Changsha SF Leases will be subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) but exempt from the announcement, circular and Independent Unitholders’ approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). For details regarding the terms of the SF Leasing Framework Agreement, the SF Lease Continuing CPTs Waiver and the SF Lease Annual Caps, please refer to section H.2.2 headed “Continuing Connected Party Transactions – Non-exempt Continuing Connected Party Transactions with the SFH Group – Changsha SF Leases” in this announcement.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the current principal valuer of SF REIT, has confirmed that: (i) the rental/licence fees in respect of the Changsha SF Leases were at or higher than prevailing market levels as at their respective agreement dates; (ii) the other commercial terms in the Changsha SF Leases were on normal commercial terms; and (iii) the terms of the Changsha SF Leases are fair and reasonable. The Manager is also of the view that the Changsha SF Leases are in the interests of SF REIT and its Unitholders as a whole.

8.3 Other key terms of the Third Party Leases

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

At the time of entering into a lease, tenants of the Changsha Property are generally required to pay a non-interest bearing rental deposit equal to one to three months’ rent and management service income. Rent is payable quarterly or semi annually.

Under the Third Party Leases, if the premises or a substantial part of it are rendered unfit for use or inaccessible by force majeure or by any cause other than the result of the negligence or fault of the tenants, the tenants are generally entitled to rent abatement until the premises shall again be rendered fit for occupation and in some leases, either the landlords or the tenants are entitled to terminate the lease if the premises are not reinstated after a certain period of time.

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

9. Management strategy

9.1 Overall strategy

On Completion, the Manager intends to continue with the same key objectives and principal investment strategies for SF REIT. Certain aspects of these strategies are described below:

(a) Attracting new tenants and exploring the expansion needs of existing tenants

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

(b) Improving rental rates while maintaining high occupancy rates

The Manager will actively manage lease renewals and new leases through: (i) advancing lease negotiations with tenants whose leases are due for expiry; (ii) identifying and rectifying leases which have passing rents that are below market levels; (iii) actively marketing (together with the property managers and operations managers) to secure new tenants for impending vacant space; and (iv) managing rental arrears to minimise bad debts.

(c) Minimising property expenses

The Manager will seek to minimise property expenses without compromising quality of services provided to the tenants so as to further improve the net property income. The Manager will work with the property managers and operations managers to explore ways to improve the cost structure, such as minimising property expenses of cleaning, security, electricity and maintenance expenses, and improve the overall operational efficiency of SF REIT's properties.

9.2 Operations Manager

The Operations Manager is Changsha Hongjie Industrial Park Operation Management Co., Ltd. * (長沙市宏捷產業園運營管理有限公司) with registered address at e-commerce Office Center, Fengtai Industrial Park, No. 102 Hexin Road, Huangxing Town, Changsha City, Hunan Province, the PRC, which was established in the PRC on 12 August 2019. The Operations Manager entered into the Operations Management Agreement with the Changsha Property Company on 1 March 2022, pursuant to which the Operations Manager agreed to provide (by itself or outsourcing) operations and property management services in respect of the Changsha Property to the Changsha Property Company, subject to the oversight and supervision of the Manager (acting on behalf of the Changsha Property Company) and in accordance with the principles set out therein. As the Operations Manager is an indirect wholly-owned subsidiary of SFH (being the holding company of the Manager and the Seller (being a Substantial Unitholder) and being owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei (being a Director)), the Operations Manager is an associate of the Manager, a Substantial Unitholder and a Director and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). The transactions under the Operations Management Agreement therefore constitute continuing connected party transactions of SF REIT upon Completion.

9.3 The Operations Management Agreement

Pursuant to the Operations Management Agreement, the Operations Manager has agreed to provide (by itself or outsourcing), among other things, the following services with respect to the Changsha Property (being the “**Operations Management Services**”) for an initial term from 1 March 2022 to 31 December 2023 (which may be extended by parties' agreement upon expiry of the initial term):

- (a) leasing and marketing management services including:
 - (i) managing the signing of new and renewed leases and act as the leasing agent in participating in negotiation of terms with tenants;

- (ii) implementing the marketing, advertising and publicity strategies of the Manager in respect of the Changsha Property including the annual budget and objectives;
 - (iii) finding potential tenants, tenant evaluation, monitoring the financial status of tenants, rent collection, tenant relationship management, handling renewals of leases and providing integrated value-added solutions to tenants;
 - (iv) implementing the rental policy formulated by the Manager from time to time, and seeking the advice and approval of the Manager before granting any preferential treatment to tenants other than the aforementioned rental policy; and
 - (v) assessing the state of the Changsha Property and reporting to the Manager regularly.
- (b) in the case where the Changsha Property Company has not yet engaged a property management company or needs to change the property management company, assisting the Changsha Property Company in selecting the property management company (if applicable);
 - (c) property management services (including maintenance and management of the premises and public facilities, cleaning and security, greening, decoration and renovation management, carpark management, cultural activities management, fire safety and public order maintenance services), and if the Changsha Property Company has engaged a third party for the aforementioned property management services, the Changsha Property Company will authorise the Operations Manager to manage such third party's provision of property management services;
 - (d) assisting the Changsha Property Company in applying, maintaining and renewing all necessary certificates, licences and permits for the operation of the Changsha Property, and ensuring compliance with applicable PRC laws and regulations;
 - (e) supervising the use of the Changsha Property by the tenants and demanding rent and other receivables from the tenants (if any);
 - (f) supervising and coordinating all renovation works (including general refurbishment and large-scale renovation) at the Changsha Property and assisting the Changsha Property Company and the Manager to formulate asset enhancement and remodelling plans;
 - (g) implementing the asset enhancement and remodelling plans in respect of the Changsha Property as approved by the Manager, including the design, request for tender, construction and quality inspection, and supervising the day-to-day maintenance and upkeep of the Changsha Property;

- (h) assisting the Changsha Property Company in collecting operation income and other income;
- (i) providing financial services such as financial accounting, financial analysis, tax and settlement services to the Changsha Property Company;
- (j) ensuring adequate and valid business insurance coverage in respect of the Changsha Property Company; and
- (k) other operation services which are assigned in writing to the Operations Manager by the Changsha Property Company from time to time.

The Operations Manager has agreed to establish a ringfenced team for the purpose of performing the leasing and marketing management services set out in (a) above. Such team will be dedicated to the Changsha Property only and shall maintain strict confidentiality regarding all investment, lease terms and rent of the Changsha Property. The team shall be made up of personnel whose performance are measured by reference to certain metrics of SF REIT or the Changsha Property, effectively aligning the interest of the Operations Manager with those of SF REIT and the Unitholders.

Under the Operations Management Agreement, the Operations Manager is entitled to receive from the Changsha Property Company an amount equivalent to 2% of the sum of the monthly rental income and property management fee of the Changsha Property Company (the “**Operations Management Fee**”) together with VAT payable on a monthly basis. Such Operations Management Fee is determined based on arms’ length negotiation, and is no less favourable than the fees which independent third party operators would charge in comparison for provision of similar services. The Operations Manager will bear its operating costs and expenses and be subject to the ongoing supervision of the Manager.

The Manager will maintain overall supervision and monitoring of the performance of the Operations Manager, which include inspecting the books and records kept by the Operations Manager. Under the Operations Management Agreement, the Operations Manager is required to submit to the Manager monthly reports as an internal control procedure.

The Changsha Property Company may terminate the appointment of the Operations Manager in the event that the Operations Manager ceases to carry on business or there is a change in the ownership or control of the Operations Manager (except within the group of companies of which the Operations Manager is a member). The Changsha Property Company may also terminate the appointment of the Operations Manager in relation to the Changsha Property under the management of the Operations Manager in the event of the sale of the Changsha Property Company or the Changsha Property.

The key personnel of the Operations Manager have at least five years of experience in managing real estate. As advised by the PRC Legal Advisers, save for the business licence (企業法人營業執照) which had been obtained by the Operations Manager at its establishment and updated following subsequent changes, the Operations Manager does not currently need any licences to perform the Operations Management Services pursuant to the arrangements under the Operations Management Agreement according to the relevant PRC laws and regulations. The Manager is of the view that the Operations Manager has sufficient experience and is fit and proper to provide the Operations Management Services. The Operations Manager is capable of performing, and shall perform, its duties in relation to SF REIT independently and in the best interests of SF REIT and Unitholders.

9.4 Arrangements to Mitigate Conflicts of Interest

The Manager has the general power of management over the assets of SF REIT and has delegated the day-to-day property management functions to the Operations Manager. Given the Operations Manager is indirectly wholly-owned by SFH and it also manages and services other properties held by SFH in the PRC, the Manager has put in place the following arrangements to mitigate potential conflicts of interest in relation to the management of the Changsha Property:

(a) Segregation of sensitive operational functions

As the Operations Manager also provides services to properties and entities of SFH, the Manager in mitigating potential conflicts has segregated certain sensitive operational functions, namely leasing and marketing functions, to be performed by a dedicated and ringfenced team within the Operations Manager which shall be made up of personnel whose performance will be measured by reference to its efforts in the management of the Changsha Property only, effectively aligning the interest of the Operations Manager with those of SF REIT and Unitholders.

For the non-sensitive day-to-day property management functions for the Changsha Property, such as daily maintenance, cleaning and security, these will continue to be outsourced to third party property management service providers and/or carried out by the non-ringfenced teams at the Operations Manager, who may provide similar services to properties held by the SFH Group (if currently applicable) and outsource such services to other service providers.

Notwithstanding this, the Operations Manager shall remain accountable to the Changsha Property Company, and subject to the oversight and supervision of the Manager in respect of these outsourced or sub-delegated services. The Operations Manager may provide similar day-to-day property management services to the properties held by SFH, but the Manager is of the view that given the nature of such services, this arrangement is unlikely to give rise to material business conflict concerns.

(b) *“Chinese Walls”, information technology system, reporting lines and segregated office space*

To protect sensitive and confidential information with respect to the Changsha Property, the Operations Manager will (i) implement measures such as “Chinese Walls”, information technology systems with access rights control and clear reporting lines to protect sensitive property management information pertaining to the Changsha Property, such as the details of leases, from being used by SFH entities to the detriment of SF REIT; and (ii) in respect of the Manager and the ringfenced teams of the Operations Manager, operate out of an office space physically separated from the other companies of the SFH Group to further preserve the confidentiality of such information.

10. Competition

The Changsha Property is located at Changsha Linkong Economic Development Zone, which is a typical airport and high-speed rail linkage area within the Hunan Province. The vicinity is in close proximity to major infrastructure. According to the Market Consultant Report, the Changsha Property is situated at a convenient location with great accessibility connecting the Changsha Property and the urban centre, and even other districts.

The attractiveness of Changsha has attracted a number of investors and developers to the market and Changsha’s market demand for logistics real estate has been continuously increasing over the past five years. The supply boom of warehouses has brought Changsha a great amount of supply in the recent two years, thus leading to the rise of vacancy rate in the relevant period. According to the Market Consultant Report, there will be at least four more logistics warehouses to be completed in the coming years in the neighbouring sub-districts, which may bring potential competition to the Changsha Property.

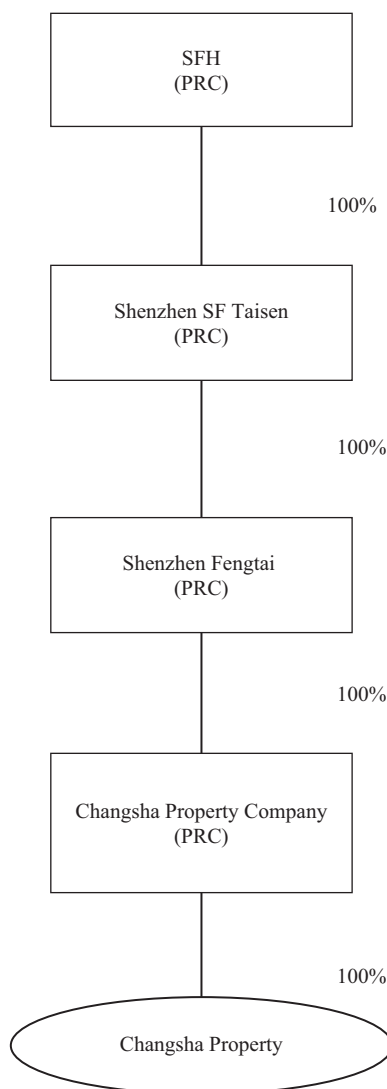
The Market Consultant has prepared the Market Consultant Report analysing, among other things, the competitive conditions of the Changsha Property. For details, please refer to the Market Consultant Report, the text of which will be set out in Appendix 6 to the Circular.

In determining whether the Changsha Property meets the investment policy and criteria for selection, the Manager has taken various factors into consideration, including (i) yield requirements; (ii) quality and geographical location of asset; (iii) occupancy rate; (iv) potential growth; (v) diversification and enlargement of SF REIT’s current portfolio; and (vi) continuous support from SFH. For details, please refer to section F headed “Reasons for and Benefits of the Acquisition” in this announcement.

C. REORGANISATION

1. Holding structure of the Changsha Property prior to Reorganisation

The below simplified chart illustrates the shareholding and corporate structure in respect of the Changsha Property immediately prior to the Reorganisation:



Prior to the signing of the Sale and Purchase Deed, the SFH Group undertook a series of transactions which principally involved the following:

- (a) the incorporation of the Target Company and the Changsha Intermediary Company;
- (b) the contribution of 1% of the equity interest to the Changsha Property Company by an individual investor who is an independent third party of the SFH Group and the SF REIT Group (the “**Investor**”);

- (c) the transfer of 99% of the equity interest in the Changsha Property Company by Shenzhen Fengtai to the Changsha Intermediary Company; and
- (d) the transfer of 1% of the equity interest in the Changsha Property Company by the Investor to the Changsha Intermediary Company.

(Steps (a) to (d) above are collectively referred to as the “Reorganisation”).

2. Main steps of the Reorganisation

The main steps for the Reorganisation are summarised below:

(a) Incorporation of the Target Company and the Changsha Intermediary Company

The Target Company was incorporated in the BVI on 30 November 2021 and is authorised to issue a maximum of 50,000 shares of a single class of no par value, of which one share was initially allotted on 30 November 2021 to Sunny Sail, which transferred such share to the Seller on 17 February 2022.

The Changsha Intermediary Company was incorporated in Hong Kong with limited liability on 28 December 2021. Upon incorporation, one fully paid share of HK\$1.00 of the Changsha Intermediary Company was allotted and issued to the Target Company.

(b) Contribution of 1% of the equity interest to the Changsha Property Company by the Investor

Pursuant to the capital increase agreement entered into among the Investor, Shenzhen Fengtai and the Changsha Property Company dated 6 April 2022, the Investor agreed to make a capital contribution of approximately RMB2.3 million (equivalent to approximately HK\$2.8 million) in the Changsha Property Company, among which approximately RMB1.9 million (equivalent to approximately HK\$2.3 million) is contributed to the registered capital with the rest accounted as capital reserve of the Changsha Property Company. The capital contribution was determined pursuant to arm’s length commercial negotiation between the parties and having regard to the valuation performed by an independent valuer in the PRC in accordance with the applicable valuation principles generally adopted in the PRC.

Upon completion of the above capital increase on 8 April 2022, the Changsha Property Company was converted from a limited liability company into a Sino-foreign equity joint venture company and owned as to 99% by Shenzhen Fengtai and 1% by the Investor.

(c) Transfer of 99% of the equity interest in the Changsha Property Company by Shenzhen Fengtai to the Changsha Intermediary Company

Pursuant to the equity transfer agreement entered into between Shenzhen Fengtai and the Changsha Intermediary Company dated 27 April 2022, Shenzhen Fengtai agreed to transfer to the Changsha Intermediary Company 99% of the equity interest in the Changsha Property Company at the consideration of approximately RMB230.6 million (equivalent to approximately HK\$282.2 million). The consideration was determined pursuant to arm's length commercial negotiation between the parties and having regard to the valuation performed by an independent valuer in the PRC in accordance with the applicable valuation principles generally adopted in the PRC, and will be settled by the Changsha Intermediary Company at Completion. The amount of the presently unsettled consideration for the abovementioned transfer (being part of the Reorganisation Payable) is treated as a liability of the Target Group for the purpose of determining the Total Consideration. Such unsettled consideration will be settled using the internal resources of SF REIT and the drawdown amount under the Extended Offshore Term Loan, the details of which are set out in section D.3 headed "Financing of the Acquisition – Extended Offshore Term Loan" and section D.4 headed "Financing of the Acquisition – Internal Resources" in this announcement.

(d) Transfer of 1% of the equity interest in the Changsha Property Company by the Investor to the Changsha Intermediary Company

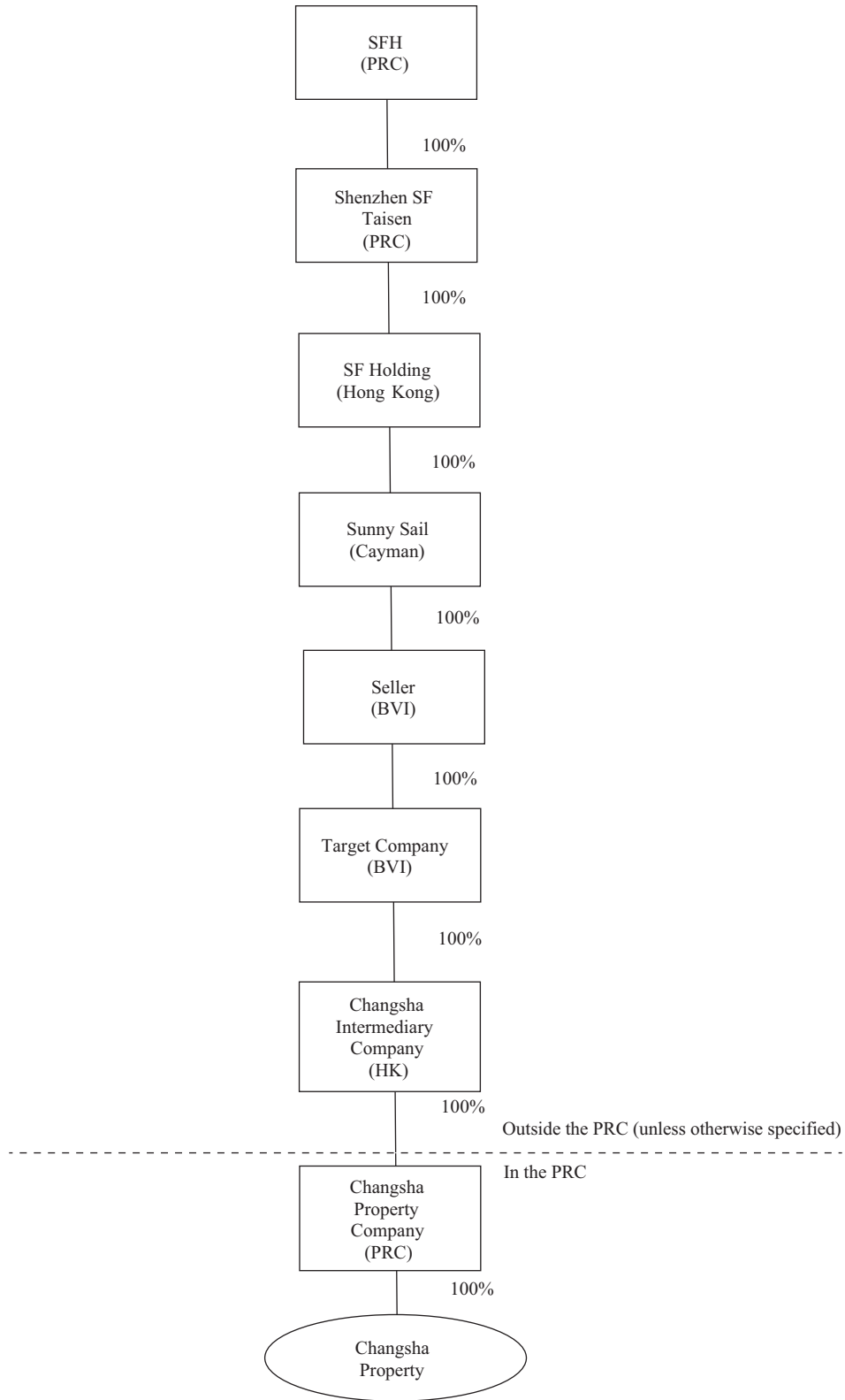
Pursuant to the equity transfer agreement entered into between the Investor and the Changsha Intermediary Company dated 27 April 2022, the Investor agreed to transfer to the Changsha Intermediary Company 1% of the equity interest in the Changsha Property Company at the consideration of approximately RMB2.3 million (equivalent to approximately HK\$2.8 million). The consideration was determined pursuant to arm's length commercial negotiation between the parties and having regard to the valuation performed by an independent valuer in the PRC in accordance with the applicable valuation principles generally adopted in the PRC. The consideration for such transfer has been first fully settled by SF Holding (for and on behalf of the Changsha Intermediary Company). Thereafter, the amount paid by SF Holding to settle the abovementioned consideration forms part of the Reorganisation Payable, and such amount will be settled by the Changsha Intermediary Company to SF Holding at Completion using the internal resources of SF REIT and the drawdown amount under the Extended Offshore Term Loan, the details of which are set out in section D.3 headed "Financing of the Acquisition – Extended Offshore Term Loan" and section D.4 headed "Financing of the Acquisition – Internal Resources" in this announcement.

Notwithstanding the abovementioned unsettled consideration for the transfer of 99% of the equity interest in the Changsha Property Company from Shenzhen Fengtai to the Changsha Intermediary Company (which will be settled by using the internal resources of SF REIT and the drawdown amount under the Extended Offshore Term Loan at Completion), the PRC Legal Advisers confirmed that (a) the agreements in respect of the above transfers of the 99% and 1% of the equity interest in the Changsha Property Company were entered into on 27 April 2022 and the industrial and commercial registrations in respect of the above transfers were completed on 9 May 2022; and (b) upon completion of the above equity interest transfers on 9 May 2022, the Changsha Property Company was converted from a Sino-foreign equity joint venture to a wholly-foreign owned enterprise and owned as to 100% by the Changsha Intermediary Company.

In light of the foregoing and based on the legal advice received by the Manager from the PRC Legal Advisers and its own due diligence, the Manager confirms that: (i) the necessary regulatory filings and approvals required under the PRC laws and regulations for the Reorganisation have been completed and obtained; and (ii) the Reorganisation has been completed in accordance with the relevant PRC laws and regulations as at the date of this announcement.

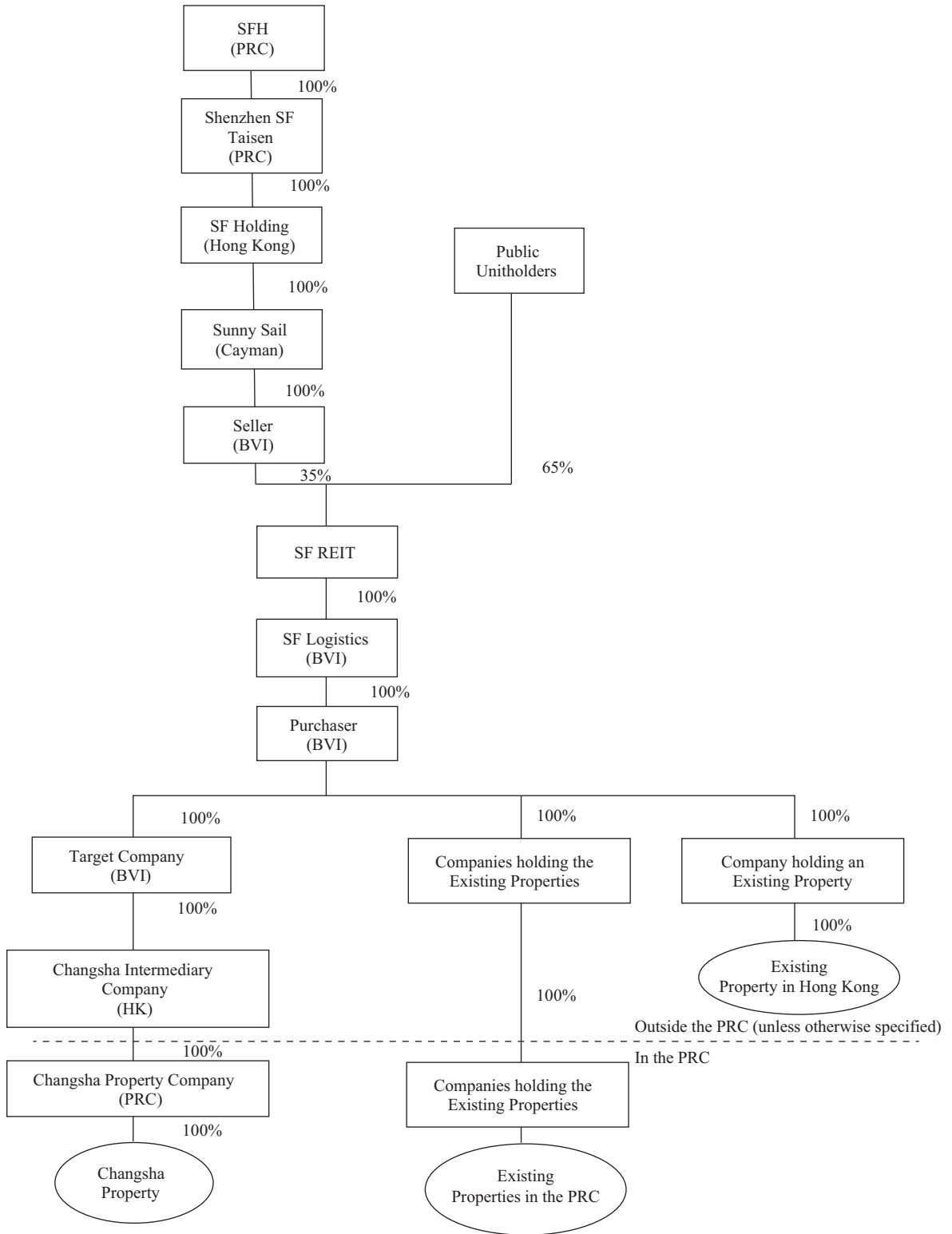
3. Holding structure of the Changsha Property as at the Latest Practicable Date (after completion of the Reorganisation)

The below simplified chart illustrates the holding structure of the Changsha Property as at the Latest Practicable Date (after completion of the Reorganisation):



4. Holding structure of the Changsha Property after Completion

The below simplified chart illustrates the holding structure of the Changsha Property immediately after Completion:



D. FINANCING OF THE ACQUISITION

1. Financing Structure

The Manager intends to fund the Total Consideration and the Other Acquisition Fees and Expenses in the following manner: (i) up to RMB267.2 million (equivalent to approximately HK\$327.0 million) shall be paid from the amounts drawn down under the Onshore Term Loan; (ii) up to HK\$259.0 million (equivalent to approximately RMB211.6 million) shall be paid from the amounts drawn down under the Extended Offshore Term Loan; and (iii) approximately RMB21.3 million (equivalent to approximately HK\$26.1 million) shall be paid from the internal resources of SF REIT (the “**Financing Structure**”). The Other Acquisition Fees and Expenses are approximately HK\$9.8 million (equivalent to approximately RMB8.0 million).

The Financing Structure has been determined by the Manager, after taking into consideration, among other things, SF REIT’s working capital sufficiency, optimal level of gearing, financing costs and tenors of various existing indebtedness.

2. Onshore Term Loan

On 30 May 2022, the Changsha Property Company (as borrower) entered into a facility agreement (the “**Onshore Facility Agreement**”) with China Merchant Bank Co., Ltd., Changsha Branch* (招商銀行股份有限公司長沙分行) (as lender) (being a third party independent of the SFH Group and the SF REIT Group) (the “**Onshore Lender**”) for a term loan facility of a principal amount of up to RMB275.0 million (equivalent to approximately HK\$336.5 million) (the “**Onshore Term Loan**”).

The term of Onshore Term Loan is eight years from the first drawdown date. The Onshore Term Loan shall bear interest at a rate of 90 basis points 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. The proceeds from the drawdown of the Onshore Term Loan (the amount of which is expected to be RMB267.2 million (equivalent to approximately HK\$327.0 million) will be used by the Changsha Property Company to settle the Onshore Payable in full at Completion, in which approximately RMB6.7 million (equivalent to approximately HK\$8.2 million) will be repaid within 2022, and the remaining balance will be repaid over the years from 2023 to 2030. The Onshore Term Loan is secured by (i) a first priority mortgage over the Changsha Property dated on 30 May 2022; (ii) a charge over 100% equity interest in the Changsha Property Company held by the Changsha Intermediary Company to be executed after Completion; and (iii) a charge over the Changsha Property Company’s rental collection accounts in favour of the Onshore Lender dated 30 May 2022.

The Onshore Facility Agreement contains customary events of default, including but not limited to: (a) non-payment of any sums under the Onshore Facility Agreement; (b) cross-default of financial indebtedness by any subsidiary of SF REIT; (c) misrepresentation; (d) insolvency; (e) unlawfulness; (f) insolvency proceedings; and (g) litigation.

3. Extended Offshore Term Loan

On 29 April 2021, DBS Bank Ltd., acting through its Hong Kong Branch (“**DBS Hong Kong**”), Bank of Communications (Hong Kong) Limited and Credit Suisse AG, Singapore Branch (as lenders) (being third parties independent of the SFH Group and the SF REIT Group) and the SF Logistics (as borrower) entered into a facility agreement (the “**Offshore Facility Agreement**”) for: (a) a committed term loan facility of up to HK\$2.159 billion (the “**Offshore Term Loan**”); and (b) an uncommitted revolving loan facility of up to HK\$250 million (together with the Offshore Term Loan, the “**Offshore Loans**”), with DBS Hong Kong acting as the facility agent and the security agent in respect of the Offshore Loans. As at the expiry of the drawdown period of the Offshore Term Loan (being 29 July 2021), the Offshore Term Loan had an unutilised amount of HK\$259.0 million (equivalent to approximately RMB211.6 million).

DBS Bank Ltd. (acting through DBS Hong Kong) (acting as the facility agent and the security agent in respect of the Offshore Loans) and SF Logistics entered into (a) an amendment deed to the Offshore Facility Agreement on 24 February 2022 (the “**First Amendment Deed**”) for extending the drawdown period of the unutilised part of the Offshore Term Loan to 28 April 2022 and (b) a further amendment deed to the First Amendment Deed on 19 April 2022 for extending the drawdown period of the unutilised part of the Offshore Term Loan to 29 October 2022 (the “**Extended Offshore Term Loan**”). The term of the Extended Offshore Term Loan is five years since 17 May 2021, being the first drawdown date of the Offshore Term Loan. The interest rate for the Extended Offshore Term Loan is HIBOR plus 1.10% per annum. The proceeds from the drawdown of the Extended Offshore Term Loan will be used by the Changsha Intermediary Company to settle part of the Reorganisation Payable at Completion. No additional security is created to secure the Extended Offshore Term Loan.

4. Internal Resources

At Completion, SF Logistics (or another wholly-owned subsidiary of SF REIT incorporated outside the PRC) will make available an inter-company loan of RMB21.3 million (equivalent to approximately HK\$26.1 million) to the Changsha Intermediary Company for the settlement by the Changsha Intermediary Company of the remaining part of the Reorganisation Payable (with the majority of the Reorganisation Payable to be settled by the Changsha Intermediary Company with the proceeds from the Extended Offshore Term Loan) at Completion.

The Other Acquisition Fees and Expenses of approximately HK\$9.8 million (equivalent to approximately RMB8.0 million) will be paid from the internal resources of SF REIT.

5. Gearing Ratio

Based on the unaudited pro forma financial information of the Enlarged Group, the text of which will be set out in Appendix 4 to the Circular, and the Other Acquisition Fees and Expenses, the gearing ratio of the Enlarged Portfolio is expected to increase from approximately 30.6% as at 31 December 2021 to approximately 35.5% upon Acquisition, assuming (a) completion of the Acquisition; (b) HK\$259.0 million (equivalent to approximately RMB211.6 million) being drawn down under the Extended Offshore Term Loan to settle part of the Reorganisation Payable (with the remaining part of the Reorganisation Payable to be settled by the internal resources of SF REIT as set out in the above section D.4 in this announcement); and (c) the assumption of the Onshore Term Loan by SF REIT at Completion and RMB267.2 million (equivalent to approximately HK\$327.0 million) being drawn down under the Onshore Term Loan to settle the Onshore Payable in full. The Manager believes that this level is prudent under the current market conditions, and notes that it does not exceed 50.0%, being the borrowing limit as permitted under the REIT Code.

E. FEES AND CHARGES IN RELATION TO THE ACQUISITION

1. General

The estimated total fees and charges payable by SF REIT in relation to the Acquisition is approximately HK\$9.8 million (equivalent to approximately RMB8.0 million) and consists of the Acquisition Fee and the Other Acquisition Fee and Expenses (including the Trustee's Additional Fee). Details of these fees and their amounts are set out in sections E.2 to E.4 in this announcement below.

2. Acquisition Fee

On Completion, the Manager will be entitled under the Trust Deed to receive an acquisition fee of RMB2.7 million (equivalent to approximately HK\$3.3 million), which is equal to 0.5% of the Agreed Property Value (the “**Acquisition Fee**”). The Acquisition Fee will be paid to the Manager in the form of cash.

3. Other Acquisition Fees and Expenses

SF REIT incurred or is expected to incur other estimated fees and expenses in connection with the Acquisition (including the Trustee's Additional Fees, legal fees, advisory fees, professional fees and expenses that are incidental to the Acquisition) of approximately HK\$6.5 million (equivalent to approximately RMB5.3 million) (the “**Other Acquisition Fees and Expenses**”). The Other Acquisition Fees and Expenses are one-off transaction expenses of a non-recurring nature in connection with the Acquisition.

4. Trustee's Additional Fee

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken by the Trustee in connection with the Acquisition which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of SF REIT's day-to-day business operations. The Trustee has agreed with the Manager that it will charge SF REIT a one-time additional fee of HK\$100,000 (equivalent to approximately RMB82,000) for duties undertaken by it in connection with the Acquisition (the "Trustee's Additional Fee") to be paid in the form of cash.

5. Ongoing fees and charges following Completion

Pursuant to the Trust Deed:

- (a) the Manager is entitled to receive a base fee for its own account out of the Deposited Property on a semi-annual basis which shall be calculated as follows: (i) in respect of the first semi-annual period for each financial year, 10% of the Base Fee Distributable Income based on the interim unaudited financial statements of SF REIT for such period; and (ii) in respect of the second semi-annual period for each financial year, 10% of the Base Fee Distributable Income based on the audited financial statements of SF REIT for the financial year, minus the base fee for the immediately preceding interim period (if any);
- (b) the Manager is entitled to receive for its own account out of the Deposited Property the amount of a variable fee accrued to it on an annual basis which shall be calculated as 25.0% per annum of the difference in DPU in a financial year compared to the preceding financial year multiplied by the weighted average number of Units in issue for such financial year; and
- (c) the Trustee is entitled to receive a fee which is currently 0.02% per annum of the value of the Deposited Property calculated and adjusted in accordance with the Trust Deed, subject to a minimum amount of HK\$66,000 per month.

F. REASONS FOR AND BENEFITS OF THE ACQUISITION

The COVID-19 pandemic has caused unprecedented macroeconomic volatility which has hard hit on various parts of the global economy. Nevertheless, despite its impact on the overall economy and supply chain, demand for logistics services remains strong, and therefore resulting in strong demand for logistic properties. The outbreak of the COVID-19 pandemic has also accelerated structural changes in consumers' spending habits and retailers' supply chain management, causing retailers and suppliers to modernise and improve their logistics facilities and capabilities in response to these changes.

According to China Logistics Information Center, logistics industry in China continued to develop. In 2021, the total value of social logistics goods in China (an indication of the domestic market demand for logistics services) as released by the National Development and Reform Commission of the PRC grew by approximately 9.2% year-on-year to approximately RMB335.2 trillion. The prosperity index of China's logistics industry (an early indication of logistics activities in China's logistics sector as released by China Federation of Logistics and Purchasing, a social organization of logistics industry in China established in Beijing and approved by the State Council of the PRC) was approximately 53.4% in 2021, an increase of 1.7 percentage point as compared to that of 2020. The above reflects an expansion trend in logistics economic activities. Based on the above and the Manager's observation, demand in industrial logistics in China has remained strong and active. Continuous demand driven by expansion of e-commerce, retail and third-party logistics has been supplemented by growing demand from cold chain and medical supplies industries.

According to the Market Consultant, even under ample new supply, overall vacancy rate of warehouses and related facilities in major logistics markets across China has remained relatively stable attributable to strong rental demand.

The Board (including all the INEDs) believes that the Acquisition will bring the following benefits to the Unitholders:

1. Yield accretive acquisition

The Acquisition is expected to be DPU accretive to existing Unitholders and improve the earnings of SF REIT. Based on the pro forma distributable income and DPU as set out in the Circular, if the Acquisition was completed on 29 April 2021 and based on the assumptions as stated in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group", the text of which will be set out in Appendix 4 to the Circular, SF REIT's pro forma DPU would have increased by 8.5% from HK\$0.1724 to HK\$0.1871 for the period from 29 April 2021 (date of establishment of SF REIT) to 31 December 2021.

Please refer to the sections headed "Financial Effects of the Acquisition – Pro forma distributable income and DPU" and headed "Financial Effects of the Acquisition – Pro forma net assets attributable to Unitholders per Unit" respectively in the Circular for further information.

2. High quality asset

The Changsha Property is a high quality asset which has the following competitive strengths:

- (a) The Changsha Property was developed by two phases with completion in August 2019 and May 2021 respectively. It is a modern logistics property with a total Gross Lettable Area of approximately 120,055 sq.m. and comprises of five components which consist of the following facilities: (i) a ramp-up two-storey distribution centre; (ii) a three-storey warehouse with two underground levels; (iii) two single-storey warehouses; (iv) a nine-storey office building; and (v) three ancillary buildings, and is equipped with built-to-suit facilities, such as automatic sorting, cold storage and supply chain support facilities, to house the needs of its various logistics tenants;
- (b) The Changsha Property is located at Changsha Linkong Economic Development Zone, which is a typical airport and high-speed rail linkage area within the Hunan Province. The vicinity is in close proximity to major infrastructure including the airport, Beijing – Hong Kong – Macau Expressways, the Changsha Ring Expressway, Changliu Expressway, Changsha South Railway Station, and Hunan Changsha Hongxing Agricultural and Sideline Products Market; and
- (c) The Changsha Property is located in a logistics service base that effectively serves Changsha and the central region of China, and provides customers with standardized logistics and warehousing facilities and integrated supply chain solutions.

3. High occupancy rate supported by credible anchor tenant(s)

The occupancy rate of the Changsha Property at 31 March 2022 was 98.9% while the average occupancy rate of the Existing Properties as at 31 December 2021 was 95.8%. As at 31 March 2022, the Changsha Property was leased to various high quality tenants including Hunan SF Freight and Hunan SF Express, which are Changsha SF Connected Tenants, to operate mainly as a modern logistics property for regional distribution purposes, and various independent third party tenants. The Changsha SF Connected Tenants accounted for approximately 68.4% of the leased Gross Lettable Area as at 31 March 2022. The abovementioned Changsha SF Connected Tenants have entered into new Changsha SF Leases for a term of approximately 4 years and 8 months commencing from 1 May 2022, with an option to renew for a further term of up to five years on substantially the same terms (except for rent), which is exercisable by the tenant no later than three months before the expiry of the initial term. As at the Latest Practicable Date, the weighted average lease expiry of the Changsha Property by Gross Lettable Area was approximately 3.9 years.

While the Changsha SF Connected Tenants contribute a relatively high percentage of the total rental income generated by the Changsha Property, the Manager considers this arrangement to be beneficial to SF REIT as it provides a high degree of income stability for SF REIT.

4. Reasonable price and potential growth in capital value

The Agreed Property Value represents a discount of approximately 1.9% to the Appraised Value of the Changsha Property as at 31 March 2022.

The unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the period from 29 April 2021 to 31 December 2021 which will be in Appendix 4 to the Circular is computed as if the Acquisition had been completed on 29 April 2021 (date of establishment of SF REIT). The pro forma net property income of the Changsha Property Company for the period from 29 April 2021 to 31 December 2021, being HK\$29.5 million (equivalent to RMB24.4 million), is computed on the same basis and assuming that the Changsha SF Leases subsisting at Completion and the Operations Management Agreement had taken effect on 29 April 2021 (details of which are to be set out in Note 13 and Note 14 in Appendix 4 to the Circular). Based on the pro forma net property income of approximately RMB24.4 million for the period from 29 April 2021 to 31 December 2021 and the Appraised Value of approximately RMB550.4 million, the annualised pro forma net property yield of the Changsha Property was approximately 6.6%.

The annualised pro forma net property yield of the Changsha Property Company is comparable to the annualised net property yield of SF REIT's Existing Properties in the PRC of approximately 7.3%. The annualised net property yield of SF REIT's Existing Properties in the PRC is calculated by dividing the annualised net property income of SF REIT Group attributable to the PRC (being the period from 13 May 2021 (date of acquisition of the Purchaser by SF REIT) to 31 December 2021), by the respective values of the Existing Properties located in the PRC as at 31 December 2021.

5. Diversification and enlargement of assets

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

The Acquisition, which will enlarge the total value and Gross Lettable Area of SF REIT's property portfolio by approximately 10.3% and 39.0% respectively, will be SF REIT's first investment in Central China. The Acquisition will diversify the locations and composition of SF REIT's portfolio assets and reduce SF REIT's exposure to concentration risk and other risks associated with its reliance on the income generated by the Existing Properties. In addition, the Acquisition will reduce the average age of the properties in SF REIT's portfolio (from 4.0 years to 3.8 years).

Upon Completion, SF REIT can also achieve better economies of scale resulting from enhanced operating synergies, both in terms of satisfying tenants' requirements as well as sharing of asset management resources.

6. Continued support by SFH

The Acquisition is a result of the concerted efforts between SF REIT and SFH. While SF REIT is entitled to the right of first refusal over the Changsha Property under the Deed of Right of First Refusal, the process regarding the negotiation and execution of the Acquisition hinges on the close cooperation between SF REIT and SFH which also demonstrates the latter's continued support to and belief in the future prospects of SF REIT.

G. FINANCIAL EFFECTS OF THE ACQUISITION

The Circular will contain information as to the pro forma financial effects of the Acquisition on SF REIT. In particular, it will contain information relating to:

- (a) impact of completion of the Acquisition on the financial position of SF REIT;
- (b) the pro forma financial effects of the Acquisition on the distributable income and DPU from 29 April 2021 (date of establishment of SF REIT) to 31 December 2021, on the basis that as if the Acquisition had been completed on 29 April 2021 and SF REIT had held and operated the Changsha Property through 29 April 2021 to 31 December 2021;
- (c) the pro forma financial effects of the Acquisition on net assets attributable to Unitholders per Unit as at 31 December 2021, on the basis that as if the Acquisition had been completed on 31 December 2021; and
- (d) the pro forma financial effects of the Acquisition on the capitalisation and gearing ratio of SF REIT as at 31 December 2021, on the basis that as if the Acquisition had been completed on 31 December 2021.

Please refer to the Circular for the bases and assumptions used for the calculations above.

H. CONTINUING CONNECTED PARTY TRANSACTIONS

1. Background

On 4 December 2020, the REIT Code was revised to, inter alia, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the Stock Exchange. Following the changes to the REIT Code, save as otherwise provided in the REIT Code or the guidelines issued by the SFC from time to time, all connected party transactions of REITs will be regulated with reference to the requirements applicable to listed companies under Chapter 14A of the Listing Rules to the extent appropriate and practicable, including whether certain connected party transactions are continuing connected party transactions, available exemptions and the conditions thereof and the unitholders' approval, disclosure, reporting, annual review and other requirements. All pre-existing waivers shall continue to apply until expiry according to their terms or until otherwise modified or revoked.

2. Non-exempt Continuing Connected Party Transactions with the SFH Group

2.1 Operations Management Agreement

On 1 March 2022, the Changsha Property Company entered into the Operations Management Agreement with the Operations Manager, pursuant to which the Operations Managers shall provide the Operations Management Services with respect to the Changsha Property for an initial term from 1 March 2022 to 31 December 2023 (which may be extended by the parties' agreement upon expiry of the initial term, subject to the compliance with the relevant requirements of the REIT Code and the Listing Rules).

Please refer to section B.9.3 headed "The Changsha Property – Management strategy – The Operations Management Agreement" in this announcement for details of the Operations Management Agreement.

2.1.1 Historical figures attracting new tenants and exploring the expansion needs of existing tenants

The operations and property management service fees paid by the Changsha Property Company to the Operations Manager for managing the Changsha Property were nil, RMB1.6 million (equivalent to approximately HK\$2.0 million) and RMB6.3 million (equivalent to approximately HK\$7.7 million) for the years ended 31 December 2019, 2020 and 2021, respectively.

2.1.2 Annual Caps

The aggregate fees payable under the Operations Management Agreement for the six months ending 31 December 2022 and the year ending 31 December 2023 will not exceed RMB0.6 million (equivalent to approximately HK\$0.7 million) and RMB1.2 million (equivalent to approximately HK\$1.5 million), respectively (the “**Proposed Annual Caps**”).

The Proposed Annual Caps were calculated by reference to (i) the annual rent and management service fees receivable under the subsisting leases of the Changsha Property, which are the basis for calculating the property management fees payable; (ii) the expected expiry of leases in any particular year and the expected rental increment upon expiry of such leases; (iii) in respect of the Changsha SF Leases, an agreed yearly rental increment for these leases, being the top end of the range of rental increment for these leases; and (iv) a buffer of 25% to the amount resulting from (i) to (iii) above, to account for contingencies such as changes in market rent or market conditions. The determination of the Proposed Annual Caps has not taken into account the increase in the operations and property management service fees paid by the Changsha Property Company to the Operations Manager for the year ended 31 December 2021 as indicted in the above section H.2.1.1 due to the different rates of the operations and property management service fees charged by the Operations Manager for the year ended 31 December 2021, and the years ending 31 December 2022 and 2023.

The Proposed Annual Caps should not be taken as the anticipated growth projections or indicators of the future performance of SF REIT.

2.1.3 Reasons for, and benefit of, the Operations Management Agreement

The Manager believes that the Operations Manager is well-positioned to provide operations and property management services given its established business relationship with the Changsha Property Company and understanding of the operations, standards and specific needs in respect of the Changsha Property Company. Accordingly, it is expected that the arrangements under the Operations Management Agreement would be cost-efficient, expedient and beneficial to the business operations of SF REIT, and therefore the Manager considers that the Operations Management Agreement is beneficial to SF REIT and its Unitholders as a whole.

2.1.4 Application of the REIT Code and the Listing Rules

As the Operations Manager is an indirect wholly-owned subsidiary of SFH (being the holding company of the Manager and the Seller (being a Substantial Unitholder) and being owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei (being a Director)), the Operations Manager is an associate of the Manager, a Substantial Unitholder and a Director and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). The transactions under the Operations Management Agreement therefore constitute continuing connected party transactions of SF REIT upon Completion. As the applicable percentage ratios for the transactions contemplated under the Operations Management Agreement are more than 0.1% but less than 5% (even if aggregated with the transactions under the existing operations management agreements entered into between other indirect wholly-owned subsidiaries of SF REIT and other indirect wholly-owned subsidiaries of SFH in respect of the Existing Properties located in the PRC pursuant to Rule 14A.81 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code)), these transactions will be subject to the reporting, annual review and announcement requirements but are exempt from the circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Upon renewal of the Operations Management Agreement, SF REIT will re-comply with the applicable disclosure and/or Independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules. In the event that the term of the Proposed Annual Caps (which the transactions entered into in accordance with the Operation Management Agreement are subject to) expires prior to the end of the term of any such transactions and is not renewed, SF REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such transactions for the excessive term.

2.2 Changsha SF Leases

2.2.1 SF Leasing Framework Agreement

The Manager (in its capacity as manager of SF REIT) entered into a framework agreement with Shenzhen SF Taisen on 29 April 2021 to set out the terms and conditions and pricing policy governing the SF Leases which are either in place or to be entered into from time to time (the “**SF Leasing Framework Agreement**”). The subsidiaries of SF REIT (as landlords) would enter into individual SF Leases with the SF Connected Tenants from time to time with terms consistent with the SF Leasing Framework Agreement.

The SF Leasing Framework Agreement commences from 17 May 2021 and expires on 31 December 2026 and is automatically renewable for a successive period of five years thereafter (or for any other period which may be shorter or longer than five years as the parties may agree otherwise), subject to compliance with the relevant requirements of the REIT Code and the Listing Rules. For the detailed terms of the SF Leasing Framework Agreement, please refer to section headed “Connected Party Transactions – Non-Exempt Continuing Connected Party Transactions with SF Connected Persons – SF Leasing Framework Agreement” in the Offering Circular.

The Manager applied for, and the SFC granted, a waiver (the “**SF Lease Continuing CPTs Waiver**”) exempting SF REIT, in respect of the transactions under the SF Leasing Framework Agreement, from strict compliance with, the announcement, circular and Independent Unitholders’ approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of REIT Code), subject to, inter alia, the aggregate transaction value of the transactions under the SF Leasing Framework Agreement for each of the six years ending 31 December 2021, 2022, 2023, 2024, 2025 and 2026 not exceeding the annual caps of HK\$344.4 million, HK\$375.8 million, HK\$393.7 million, HK\$412.5 million, HK\$432.2 million and HK\$453.0 million, respectively (the “**SF Lease Annual Caps**”). For the detailed terms of the SF Lease Continuing CPTs Waiver, please refer to section headed “Connected Party Transactions – Application for Waiver in respect of Non-Exempt SF Continuing CPTs” in the Offering Circular.

2.2.2 Reasons for, and benefit of, the Changsha SF Leases

As one of SF REIT’s key investment objectives is to provide Unitholders with stable distributions, which are mainly derived from the rental income generated by its properties, the Manager believes that the entering into of the Changsha SF Leases with the Changsha SF Connected Tenants (which are high quality tenants in the view of the Manager) is necessary for the continuous growth and operations of, and will generate recurrent rental income for, SF REIT, and therefore the Manager considers that the Changsha SF Leases are beneficial to SF REIT and its Unitholders as a whole.

2.2.3 Application of the REIT Code and the Listing Rules

As each of the Changsha SF Connected Tenants to the Changsha SF Leases is a subsidiary of SFH (being the holding company of the Manager and the Seller (being a Substantial Unitholder) and being owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei (being a Director)), each of the Changsha SF Connected Tenants is an associate of the Manager, a Substantial Unitholder and a Director and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). The transactions under the Changsha SF Leases therefore constitute continuing connected party transactions of SF REIT upon Completion.

Each of the Changsha SF Leases subsisting as at the Completion Date is covered under and consistent with the terms of the SF Leasing Framework Agreement, as well as the terms of the SF Lease Continuing CPTs Waiver, and the transactions under such Changsha SF Leases (together with those under other existing SF Leases in respect of the Existing Properties) are expected not to exceed the SF Lease Annual Caps. Therefore, the transactions under the Changsha SF Leases will be subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) but exempt from the announcement, circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

In the event that the term of the SF Leases Annual Caps (which the transactions under the Changsha SF Leases are subject to) expires prior to the end of the term of any such transactions and is not renewed, SF REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such transactions for the excessive term.

3. Fully-exempt Continuing Connected Party Transactions with the SFH Group

3.1 Changsha SF Lease Guarantee

3.1.1 Summary of terms

On 1 May 2022, a guarantee agreement was entered into between Shenzhen SF Taisen (as guarantor) and the Changsha Property Company (as beneficiary) for the Changsha SF Lease in respect of Hunan SF Express (the “**Changsha SF Lease Guarantee**”). Under the Changsha SF Lease Guarantee, Shenzhen SF Taisen agreed to indemnify the Changsha Property Company against all claims, damages, demands, losses, liability, fees, costs and expenses whatsoever which the Changsha Property Company may sustain due to any act of default or neglect on the part of Hunan SF Express in the performance and observance of its obligations under the relevant Changsha SF Lease, subject to a monetary limit equivalent to rent payable for the last 12-months of the term of the relevant Changsha SF Lease. Shenzhen SF Taisen also agreed to be liable with Hunan SF Express for the due observance and performance of all the obligations, covenants, terms and conditions contained in the relevant Changsha SF Lease and on the part of Hunan SF Express to be observed and performed. The Changsha SF Lease Guarantee shall remain in place and be effective until three years following the expiry of the term of the relevant Changsha SF Leases or any extension or renewal thereof.

3.1.2 Reasons for, and benefit of, the Changsha Lease Guarantee

The Changsha Lease Guarantee can provide additional certainty for the income stream of the Changsha Property and enhance the stability of distributions to Unitholders. In addition, the Manager believes that the Changsha Lease Guarantee is on favourable commercial terms to SF REIT. Therefore, the Manager considers that the Changsha Lease Guarantee is beneficial to SF REIT and its Unitholders as a whole.

3.1.3 Application of the REIT Code and the Listing Rules

Shenzhen SF Taisen, being an indirect holding company of the Seller (being a Substantial Unitholder) and the Manager and being a direct wholly-owned subsidiary of SFH, which in turn is owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei (being a Director), is an associate of the Manager, an associate of a Substantial Unitholder and an associate of a Director, and therefore a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). The transactions under the Changsha SF Lease Guarantee therefore constitute continuing connected party transactions of SF REIT upon Completion in accordance with the REIT Code. As the Changsha SF Lease Guarantee was granted for the benefit of the subsidiary of SF REIT (i.e. the Changsha Property Company after Completion), the Changsha SF Lease Guarantee constitutes financial assistance within the meaning of Rule 14A.24(4) of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) received by SF REIT from a connected person which is on normal commercial terms or better and not secured by the assets of the SF REIT Group. Accordingly, the Changsha SF Lease Guarantee would, upon Completion, be exempt from the reporting, annual review, announcement, circular and Independent Unitholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

4. Views relating to the continuing connected party transactions

4.1 Board

The Board (including the INEDs) is of the view that the SF Continuing CPTs (in respect of the transactions under the Operations Management Agreement, including the Proposed Annual Caps and the basis of arriving at the same) and the transactions under the Changsha SF Lease Guarantee are: (i) in the ordinary and usual course of business of the SF REIT Group; (ii) consistent with the investment objectives and strategy of SF REIT and in compliance with the REIT Code and the Trust Deed; and (iii) are on normal commercial terms, at arm's length and are fair and reasonable and in the interests of SF REIT and Unitholders as a whole.

4.2 Trustee

Based and in sole reliance on: (1) the opinion of the Board in the “Letter to the Unitholders” to be appended to the Circular and the information and assurances provided by the Manager; and (2) the opinion of the Independent Property Valuer as set out in section 9.6.2 of the “Letter to the Unitholders” in the Circular, the Trustee, having taken into account its duties in the Trust Deed and the REIT Code:

- (a) has no objection to the Manager proceeding with the transactions under the Operations Management Agreement;
- (b) is of the view that the terms of the Operations Management Agreement (including the Proposed Annual Caps and the basis of arriving at the same) are (i) in the ordinary and usual course of business of the SF REIT Group; (ii) consistent with the investment objectives and strategy of SF REIT and in compliance with the REIT Code and the Trust Deed; and (iii) are on normal commercial terms, at arm’s length and are fair and reasonable and in the interests of SF REIT and Unitholders as a whole; and
- (c) confirms that Independent Unitholders’ approval is not required under the REIT Code or the Trust Deed for the entry into of the Operations Management Agreement.

The Trustee’s view is furnished for the sole purpose of complying with the REIT Code, and is not to be taken as a recommendation or representation by the Trustee as to the merits or impact of the SF Continuing CPTs as the Trustee has not made any assessment of such merits or impact, other than for the purposes of fulfilling its duties in the Trust Deed and the REIT Code.

I. FINANCIAL INFORMATION OF THE TARGET GROUP

The historical financial information of the Target Company for the period from 30 November 2021 (date of incorporation of the Target Company) to 31 December 2021 were prepared in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 issued by the Hong Kong Institute of Certified Public Accountants. The loss (before and after income tax) for the period from 30 November 2021 to 31 December 2021 are set out below:

	Period from 30 November 2021 (date of incorporation) to 31 December 2021 HK\$’000
Loss before income tax	(22)
Loss and total comprehensive loss for the period	(22)

The audited consolidated total assets and audited consolidated net liabilities of the Target Company as at 31 December 2021 were nil and approximately HK\$22,000, respectively.

The consolidated historical financial information of the Changsha Property Company for the years ended 31 December 2019, 2020 and 2021 were prepared in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 issued by the Hong Kong Institute of Certified Public Accountants. The net profit (before and after income tax) for the years ended 31 December 2019, 2020 and 2021 are set out below:

	For the years ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	27,612	19,934	23,811
Profit and total comprehensive income for the year	20,660	14,936	17,852

The audited total assets of the Changsha Property Company as at 31 December 2019, 2020 and 2021 were approximately RMB413 million, RMB491 million and RMB565 million, respectively. The audited net asset value of the Changsha Property Company as at 31 December 2019, 2020 and 2021 was approximately RMB192 million, RMB207 million and RMB225 million, respectively.

J. INFORMATION ON THE PARTIES TO THE ACQUISITION

1. SF REIT and the Purchaser

SF REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed, and is authorised under section 104 of the SFO. Prior to the Acquisition, SF REIT principally engages in property investments in Hong Kong, and in Foshan and Wuhu in Mainland China. The Manager is SF REIT Asset Management Limited, a direct wholly-owned subsidiary of Sunny Sail, and the principal business activity of the Manager is being the manager of SF REIT.

The Purchaser is a special purpose vehicle wholly-owned by SF REIT that was incorporated in the BVI and principally engages in investment holding. The Purchaser is currently an indirect holding company for SF REIT's investment in the Existing Properties, and after Completion, the Purchaser will also be an indirect holding company for SF REIT's investment in the Changsha Property, which investments will be held, and may be sold, by the Purchaser, independently of each other.

2. The Seller, Target Company, Changsha Intermediary Company and Changsha Property Company

The Seller was incorporated in the BVI and is directly wholly-owned by Sunny Sail. Prior to Completion, the Seller holds the entire issued share capital of the Target Company.

The Target Company is incorporated in the BVI and holds the entire issued share capital of the Changsha Intermediary Company, which in turn holds all of the equity interest in the Changsha Property Company. As at the Latest Practicable Date, the Changsha Property Company owned the Changsha Property.

To the best of the knowledge, information and belief of the Manager as at the Latest Practicable Date, (a) each of the Seller, Target Company, Changsha Intermediary Company and Changsha Property Company principally engages in investment holding; and (b) none of the Seller, Target Company, Changsha Intermediary Company and Changsha Property Company has any operation, asset or business, except the Changsha Property Company holds the Changsha Property and engages in the operations and business related thereto.

3. SF Holding

SF Holding is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of SFH. It principally engages in investment holding.

4. Ultimate holding company and ultimate controlling person

To the best of the knowledge, information and belief of the Manager having made all reasonable enquiries, as at the Latest Practicable Date, the ultimate holding company of each of the Seller, SF Holding and the Purchaser was Mingde Holding (which principally engages in investment holding) and its ultimate controlling person was Mr. WANG Wei.

K. REGULATORY IMPLICATIONS

1. Connected and major transaction

As at the Latest Practicable Date, (i) SFH wholly-owns the Seller (also a Substantial Unitholder of SF REIT holding 35% of the issued Units) and the Manager; and (ii) SFH is owned as to approximately 55% by Mingde Holding, a company owned as to 99.9% by Mr. WANG Wei, a Director. Therefore, each of SFH and the Seller is an associate of the Manager and the Seller is also an associate of a Director, and thus, each of SFH and the Seller is a connected person of SF REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Accordingly, the Acquisition constitutes a connected party transaction of SF REIT and, since the applicable percentage ratios exceed 5%, the Acquisition is subject to the announcement, circular, reporting and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

Furthermore, as the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of SF REIT and is subject to the notification, announcement, circular and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

2. Ordinary Resolution

Please refer to the EGM Notice for the Ordinary Resolution in relation to the Acquisition Matters Requiring Approval.

3. Restrictions on voting

Pursuant to the Trust Deed and paragraph 9.9(f) of the REIT Code, where a Unitholder has a material interest in the resolution tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting. Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the resolution tabled for approval at a general meeting of the Unitholders, and that interest is different from the interest of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

Members of the SFH Group are counterparties to the Sale and Purchase Deed and the transactions contemplated thereunder, and as such, are considered to have a material interest or deemed material interest in the Ordinary Resolution relating to the Acquisition Matters Requiring Approval that will be tabled for approval, different from that of other Unitholders. Pursuant to the REIT Code and the Trust Deed, SFH has agreed that it will abstain, and will procure that other members of the SFH Group (including SF Fengtai) will abstain, from voting on such Ordinary Resolution, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

So far as the Manager is aware, as at the Latest Practicable Date, the parties mentioned above which are needed to abstain from voting are interested or deemed to be interested in 280,000,000 Units representing 35% of the Units in issue.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that, save as disclosed above, as at the Latest Practicable Date, no other Unitholder is required to abstain from voting at the EGM in respect of the Ordinary Resolution pertaining to the Acquisition Matters Requiring Approval.

4. Manager has discretion

For the avoidance of doubt, Unitholders should note that, notwithstanding that the Ordinary Resolution relating to the approval of the Acquisition Matters Requiring Approval is passed: (1) the Manager is not obliged to, and has at all times the discretion whether or not to, proceed with the drawing down of the Extended Offshore Term Loan and the Onshore Term Loan; and (2) given that Completion is dependent upon the satisfaction of certain conditions having been satisfied, the Manager may not proceed with the Acquisition if any of the Conditions are not fulfilled or waived (if applicable) prior to the Long Stop Date.

L. RECOMMENDATIONS

1. Board

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Acquisition Matters Requiring Approval as described in this announcement, the Board (including the INEDs) (except Mr. WANG Wei, Ms. NG Wai Ting and Mr. HO Chit), having taken into account the duties of the Manager under the Trust Deed and the REIT Code, considers that the Acquisition and the transactions contemplated under the Sale and Purchase Deed are: (i) in the ordinary and usual course of business of SF REIT; (ii) consistent with the investment objectives and strategy of SF REIT and in compliance with the REIT Code and the Trust Deed; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of SF REIT, Independent Unitholders and Unitholders as a whole.

Accordingly, the Board (including the INEDs) (except Mr. WANG Wei, Ms. NG Wai Ting and Mr. HO Chit) recommends that Independent Unitholders vote at the EGM in favour of the Ordinary Resolution in respect of the Acquisition Matters Requiring Approval.

As Mr. WANG Wei, the Chairman and a non-executive Director of the Manager, Ms. NG Wai Ting, a non-executive Director of the Manager, and Mr. HO Chit, a non-executive Director of the Manager, hold directorships, shareholding interests, senior management positions and/or advisory or consultancy role in the SFH Group, each of them has abstained from voting on the relevant board resolutions of the Manager in relation to the Acquisition Matters Requiring Approval. Save as disclosed above, no Director had a material interest in the Acquisition Matters Requiring Approval and thus was required to abstain from voting on the relevant board resolutions of the Manager in relation to the Acquisition Matters Requiring Approval.

2. Trustee's view

Based and in sole reliance on: (1) the opinion of the Board in the "Letter to the Unitholders" to be appended to the Circular and the information and assurances provided by the Manager; (2) the Letter from the Independent Financial Adviser; (3) the Letter from the Independent Board Committee; (4) the Independent Property Valuer's Valuation Report; and (5) the Market Consultant Report, in each case, as set out in the Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, has no objection to the Manager proceeding with the transactions contemplated under the Sale and Purchase Deed subject to the approval of Independent Unitholders and is of the view that the Acquisition and the transactions contemplated under the Sale and Purchase Deed are: (i) consistent with the investment objectives and strategy of SF REIT and in compliance with the REIT Code and the Trust Deed; (ii) on normal commercial terms; and (iii) fair and reasonable and in the interests of SF REIT, Independent Unitholders, as well as Unitholders as a whole.

The Trustee's view is furnished for the sole purpose of complying with the REIT Code, and is not to be taken as a recommendation or representation by the Trustee as to the merits or impact of the Acquisition Matters Requiring Approval as the Trustee has not made any assessment of such merits or impact, other than for the purposes of fulfilling its duties in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Acquisition Matters Requiring Approval, to seek their own financial or other professional advice.

The respective opinions of the the Independent Board Committee and the Independent Financial Adviser with regard to the Acquisition Matters Requiring Approval will be set out in the Circular.

M. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.40 of the Listing Rules, the Independent Board Committee, comprising all INEDs, has been established by the Board to advise the Independent Unitholders on the Acquisition Matters Requiring Approval.

Pursuant to Rule 14A.44 of the Listing Rules, Somerley Capital Limited has been appointed as the Independent Financial Adviser to provide its opinion to the Independent Board Committee, the Independent Unitholders and the Trustee on the Acquisition Matters Requiring Approval.

N. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 22 June 2022 at 11:00 a.m. for the purpose of, among other things, considering and, if thought fit, passing with or without modification, the Ordinary Resolution in relation to the Acquisition Matters Requiring Approval as set out in the EGM Notice.

For the purpose of determining entitlement to attend and vote at the EGM (or any adjournment thereof), the register of Unitholders of SF REIT will be closed Tuesday, 21 June 2022 to Wednesday, 22 June 2022, both days inclusive, during which period no transfer of Units will be effected. In order to be eligible to attend and vote at the EGM (or any adjournment thereof), all transfer documents accompanied by the relevant unit certificates must be lodged with the Unit Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 20 June 2022.

Whether or not you are able to attend the EGM in person, you are required to complete and sign the accompanying proxy form in accordance with the instructions printed thereon and return it to the Unit Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

O. INDICATIVE TIMETABLE

Please see below an indicative timetable showing the key dates of the relevant events:

Event	Date and Time
Despatch of the Circular with the EGM Notice and proxy form for the EGM	Tuesday, 7 June 2022
Latest date and time for lodging transfer documents of Units to qualify for the attendance and voting at the EGM	Monday, 20 June 2022 at 4:30 p.m.
Closure of register of Unitholders to determine the eligibility of Unitholders to attend and vote at the EGM	Tuesday, 21 June 2022 to Wednesday, 22 June 2022 (both days inclusive)
Latest date and time for lodging proxy forms for the EGM	Monday, 20 June 2022 at 11:00 a.m.
EGM Record Date	Wednesday, 22 June 2022

If the approvals sought at the EGM are obtained:

Drawdown under the Onshore Term Loan	Expected to be immediately before or at Completion
Drawdown under the Extended Offshore Term Loan	Expected to be immediately before or at Completion
Completion	The day falling five Business Days after the date of the fulfilment and/or waiver (where applicable) of the conditions of Completion, or such other date agreed by the relevant parties in writing

Further announcement(s) will be made in relation to those events which are scheduled to take place after the EGM as and when appropriate in accordance with applicable regulatory requirements.

Completion of the Acquisition is subject to and conditional upon, among others, Independent Unitholders' approval being obtained at the EGM, and accordingly, may or may not take place. Unitholders and prospective investors of SF REIT are therefore advised to exercise caution when dealing in the Units.

P. DEFINITIONS

In this announcement, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this announcement, those defined terms are not included in the table below:

“Accountant’s Reports”	means (a) the accountant’s report in respect of the Target Company, the text of which will be set out in Appendix 2A to the Circular; and (b) the accountant’s report in respect of the Changsha Property Company, the text of which will be set out in Appendix 2B to the Circular.
“Acquisition”	means the proposed acquisition by SF REIT (through the Purchaser) of the Changsha Property from the Seller through the purchase of the Sale Share pursuant to the Sale and Purchase Deed.
“Acquisition Fee”	has the meaning ascribed to this term in section E.2 headed “Fees and charges in relation to the Acquisition – Acquisition Fee” in this announcement.

“Acquisition Matters Requiring Approval”	means the matters which require the approval of Independent Unitholders at the EGM being the Acquisition and the transactions contemplated under the Sale and Purchase Deed, as more fully described in this announcement.
“Agreed Property Value”	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.
“Annual Distributable Income”	means, for a financial year, the amount calculated by the Manager (based on the audited financial statements of SF REIT for that financial year) as representing the consolidated audited net profit after tax of the SF REIT Group for that financial year as adjusted in accordance with the Trust Deed and excluding any additional discretionary distributions out of capital.
“Appraised Value”	means RMB550.4 million (equivalent to approximately HK\$673.6 million), being the value of the Changsha Property as at 31 March 2022 as appraised by the Independent Property Valuer.
“associate”	has the meaning ascribed to this term in the REIT Code.
“Average Monthly Rental per Lease Space Metre”	means, in respect of a relevant period, the Gross Rental Income, inclusive of management fee, divided by the aggregate of leased area (in sq.m.) under the leases during each month in that relevant period.
“Base Fee Distributable Income”	means, in relation to any period, the amount of the Interim Distributable Income or the Annual Distributable Income (as applicable) calculated before accounting for the base fee and the variable fee payable to the Manager for that period.
“Board”	means the board of Directors.
“Building Consultant”	means Cushman & Wakefield International Property Adviser (Shanghai) Co., Ltd, an independent third party.

“Bulletin 7”	means the tax notice issued by the PRC State Administration of Taxation titled “State Administration of Taxation’s Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (State Administration of Taxation Bulletin [2015] No. 7) (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(國家稅務總局公告2015年第7號))”, as may be amended or supplemented from time to time and including any similar or replacement notice or law on the PRC tax treatment of offshore indirect transfers of property of an “establishment or place” situated in the PRC, real estates situated in the PRC, equity interests in PRC resident enterprises and any other property directly held by a non-resident enterprise and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the Enterprise Income Tax Law of the PRC, including any applicable laws in the PRC against the avoidance of the PRC tax.
“Business Day”	means any day (excluding Saturdays, Sundays, public holidays in Hong Kong or the PRC and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong and the PRC.
“BVI”	means the British Virgin Islands.
“Changsha Intermediary Company”	means Changsha Fengtai (Hong Kong) Limited (長沙豐泰(香港)有限公司), a company incorporated in Hong Kong which is the direct owner of 100% equity interest in the Changsha Property Company, which in turn owns the Changsha Property.
“Changsha Property”	means the subject property of the Acquisition, particulars of which are provided in section B.3 headed “The Changsha Property – Key information” in this announcement.
“Changsha Property Company”	means Changsha Jietai E-Commerce Industrial Park Asset Management Co., Ltd.* (長沙捷泰電商產業園管理有限公司), a company established in the PRC and the direct owner of the Changsha Property.

“Changsha SF Connected Tenants”	means the SF Connected Tenants under the Changsha SF Leases, which comprise Shenzhen Intra-city, Hunan SF Freight and Hunan SF Express as at the Latest Practicable Date.
“Changsha SF Lease Guarantee”	has the meaning ascribed to this term in section H.3.1 headed “Continuing Connected Party Transactions – Fully-exempt Continuing Connected Party Transactions with the SFH Group – Changsha SF Lease Guarantee” in this announcement.
“Changsha SF Leases”	means the SF Leases in respect of the Changsha Property.
“Circular”	means the circular to be despatched by the Manager to the Unitholders containing, among other things: (a) a letter from the Board to the Unitholders with further information on the matters to be considered under the Acquisition Matters Requiring Approval; (b) a letter from the Independent Board Committee to the Independent Unitholders regarding the matters to be considered under the Acquisition Matters Requiring Approval; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee regarding the Acquisition Matters Requiring Approval; (d) the Accountant’s Report of the Target Company; (e) the Accountant’s Report of the Changsha Property Company; (f) the unaudited pro forma financial information of the Enlarged Group; (g) the Independent Property Valuer’s property valuation report; (h) the Market Consultant Report; and (i) the EGM Notice.
“Completion”	means completion of the Acquisition pursuant to the Sale and Purchase Deed, as more particularly described in section A.2.3 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Completion of the Acquisition” in this announcement.
“Completion Date”	means the date on which Completion takes place.

“Completion Statement”	means the completion statement regarding the Target Group as at the close of business on the Completion Date, which will be: (a) prepared by the Seller and reviewed by PricewaterhouseCoopers within three months following the Completion Date; and (b) agreed between the Seller, the Purchaser and the Manager (in its capacity as manager of SF REIT) within ten Business Days following the receipt of the statement by the Purchaser, and failing such agreement, PricewaterhouseCoopers shall perform the agreed procedures or review such completion statement in accordance with the Sale and Purchase Deed.
“Conditions”	has the meaning ascribed to this term in section A.2.2 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Conditions precedent under the Sale and Purchase Deed” in this announcement.
“connected person”	has the meaning ascribed to this term in the REIT Code.
“COVID-19”	means the coronavirus disease 2019.
“DBS Hong Kong”	has the meaning ascribed to this term in section D.3 headed “Financing of the Acquisition – Extended Offshore Term Loan” in this announcement.
“Deed of Right of First Refusal”	means the deed of right of first refusal dated 29 April 2021 executed by SFH in favour of the Trustee (in its capacity as trustee of SF REIT) and the Manager (in its capacity as manager of SF REIT).
“Deposited Property”	means all the assets of SF REIT, including the Existing Properties held in SF REIT’s portfolio and, after Completion, the assets of the Target Group.
“Director(s)”	means director(s) of the Manager.
“distribution centre”	means a logistics hub which contains facilities and equipment for the purpose of carrying out comprehensive logistics functions such as processing, packaging, warehousing, sorting and distributing, which is generally at large scale and customized for particular procedures of a logistics enterprise.
“DPU”	means distribution per Unit.

“EGM”	means the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice which is convened to consider and, if thought fit, pass the Ordinary Resolution to approve the Acquisition Matters Requiring Approval.
“EGM Notice”	means the notice to be included in the Circular in respect of the EGM to consider and, if thought fit, pass the Ordinary Resolution to approve the Acquisition Matters Requiring Approval.
“EGM Record Date”	means Wednesday, 22 June 2022, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined.
“Enlarged Group”	means collectively, SF REIT and, after Completion, the Target Group.
“Enlarged Portfolio”	means collectively, the Existing Properties and, after Completion, the Changsha Property.
“Estimated Completion Statement”	means the pro forma statement of financial position of the Target Group as at the close of business on the Completion Date, to be delivered by the Seller at least five Business Days prior to the Completion Date.
“Existing Properties”	means the properties currently held by SF REIT as at the Latest Practicable Date as described in the annual report of SF REIT for the period from 29 April 2021 (date of establishment of SF REIT) to 31 December 2021.
“Extended Offshore Term Loan”	has the meaning ascribed to this term in section D.3 headed “Financing of the Acquisition – Extended Offshore Term Loan” in this announcement.
“Financing Structure”	has the meaning as set out under section D.1 headed “Financing of the Acquisition – Financing Structure” in this announcement.
“First Amendment Deed”	has the meaning ascribed to this term in section D.3 headed “Financing of the Acquisition – Extended Offshore Term Loan” in this announcement.

“Force Majeure Event”	has the meaning as set under section B.8.2 headed “The Changsha Property – Lease agreements – Other key terms of the Changsha SF Leases” in this announcement.
“Gross Floor Area” or “GFA”	means, in respect of the Changsha Property, the gross floor area of the Changsha Property being the area contained within the external walls of the building measured at each floor level, together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
“Gross Lettable Area”	means, in respect of the Changsha Property, consists of that portion of the Gross Floor Area of the Changsha Property determined by the Changsha Property Company at any given time to be rentable.
“Gross Rental Income”	means rental income and management fee due from the tenants under their leases for space in the Changsha Property.
“Guangdong Shunxin”	means Guangdong Shunxin Freight Co., Ltd.* (廣東順心快運有限公司), a limited company established in the PRC, which is an indirect non wholly-owned subsidiary of SFH.
“HIBOR”	means the rate of interest offered on Hong Kong dollars loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year.
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.

“Hong Kong Government”	means the Government of Hong Kong.
“Hunan SF Freight”	means Hunan S.F. Freight Co., Ltd.* (湖南順豐快運有限公司), a limited company established in the PRC which is an indirect non wholly-owned subsidiary of SFH and a Changsha SF Connected Tenant.
“Hunan SF Express”	means Hunan S.F. Express Co., Ltd* (湖南順豐速運有限公司), a limited company established in the PRC which is an indirect wholly-owned subsidiary of SFH and a Changsha SF Connected Tenant.
“IFRS”	means International Financial Reporting Standards.
“Independent Board Committee”	means the independent committee established by the Board to advise the Independent Unitholders on the Acquisition Matters Requiring Approval, comprising Mr. TAN Huay Lim, Mr. CHAN Ming Tak, Ricky, Mr. HO Lap Kee, MH, JP, Mr. KWOK Tun Ho, Chester and Mr. Michael Tjahja SUSANTO, being all of the INEDs, as members.
“Independent Financial Adviser”	means Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Acquisition Matters Requiring Approval.
“Independent Property Valuer”	means Jones Lang LaSalle Corporate Appraisal and Advisory Limited, being the principal valuer of SF REIT.
“Independent Unitholder(s)”	means Unitholder(s) other than those who have a material interest in the relevant resolution that is different from that of all other Unitholders within the meaning of paragraphs 8.7F and 9.9(f) of the REIT Code, and who are entitled to vote at the EGM.
“INED(s)”	means independent non-executive Director(s).
“Initial Term Expiry Date”	has the meaning ascribed to this term in section B.8.1 headed “The Changsha Property – Lease agreements – Duration” in this announcement.

“Initial Share Consideration”	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.
“Intercompany Payables”	means collectively, the Onshore Payable and the Reorganisation Payable.
“Interim Distributable Income”	means, for any distribution period, the amount calculated by the Manager (based on the interim unaudited financial statements of SF REIT for that distribution period) as representing the consolidated net profit of SF REIT for that distribution period, after provision for tax as adjusted in accordance with the Trust Deed and excluding any additional discretionary distributions out of capital.
“Investor”	has the meaning ascribed to it in section C.1 headed “Reorganisation – Holding structure of the Changsha Property prior to Reorganisation” in this announcement.
“Latest Practicable Date”	means Tuesday, 31 May 2022, being the latest practicable date prior to the printing of the Circular for the purpose of ascertaining certain information contained in the Circular.
“lease”	means a lease in respect of a premise within the Changsha Property granted to a tenant and “leases” shall be construed accordingly.
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange.
“Long Stop Date”	means 31 August 2022, or such other date as agreed by the Purchaser and the Seller in writing.
“Mainland China”	means the PRC but excluding, for the purposes of this announcement, Hong Kong, Taiwan and the Macao Special Administrative Region of the PRC.
“Manager”	means SF REIT Asset Management Limited, in its capacity as manager of SF REIT, a company incorporated under the laws of Hong Kong and directly wholly-owned by Sunny Sail and indirectly wholly-owned by SFH as at the Latest Practicable Date.

“Market Consultant”	means Cushman & Wakefield Limited, an independent third party.
“Market Consultant Report”	means the report prepared by the Market Consultant, the text of which will be set out in Appendix 6 to the Circular.
“Market Rental Package”	has the meaning ascribed to this term in section B.8.1 headed “The Changsha Property – Lease agreements – Duration” in this announcement.
“Mingde Holding”	means Shenzhen Mingde Holding Development Co., Ltd.* (深圳明德控股發展有限公司), a company established in the PRC, which directly holds approximately 55% of the equity interest of SFH and is owned by Mr. WANG Wei, a Director, as to 99.9% as at the Latest Practicable Date.
“Occupancy Rate”	means, in respect of the Changsha Property, the Gross Lettable Area occupied by tenants as a percentage of the total Gross Lettable Area of the Changsha Property.
“Offering Circular”	means the offering circular dated 5 May 2021 issued by SF REIT in connection with the initial public offering and listing of the Units on the Main Board of the Stock Exchange.
“Offshore Facility Agreement”	has the meaning ascribed to this term in section D.3 headed “Financing of the Acquisition – Extended Offshore Term Loan” in this announcement.
“Offshore Loans”	has the meaning ascribed to this term in section D.3 headed “Financing of the Acquisition – Extended Offshore Term Loan” in this announcement.
“Offshore Term Loan”	has the meaning ascribed to this term in section D.3 headed “Financing of the Acquisition – Extended Offshore Term Loan” in this announcement.
“Onshore Facility Agreement”	has the meaning ascribed to this term in section D.2 headed “Financing of the Acquisition – Onshore Term Loan” in this announcement.
“Onshore Lender”	has the meaning ascribed to this term in section D.2 headed “Financing of the Acquisition – Onshore Term Loan” in this announcement.

“Onshore Payable”	means the amount owing from the Changsha Property Company to Shenzhen SF Taisen (being a direct wholly-owned subsidiary of SFH), which will stand at approximately RMB267.2 million (equivalent to approximately HK\$327.0 million) immediately prior to Completion.
“Onshore Repayment Amount”	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.
“Onshore Term Loan”	has the meaning ascribed to this term in section D.2 headed “Financing of the Acquisition – Onshore Term Loan” in this announcement.
“Operations Management Agreement”	means the operations management agreement dated 1 March 2022 and entered into by the Changsha Property Company with the Operations Manager relating to the provision of the Operations Management Services.
“Operations Management Fee”	has the meaning ascribed to this term in section B.9.3 headed “The Changsha Property – Management strategy – The Operations Management Agreement” in this announcement.
“Operations Management Services”	has the meaning ascribed to this term in section B.9.3 headed “The Changsha Property – Management strategy – The Operations Management Agreement” in this announcement.
“Operations Manager”	means Changsha Hongjie Industrial Park Operation Management Co., Ltd. * (長沙市宏捷產業園運營管理有限公司), a company established in the PRC. As at the Latest Practicable Date, the Operations Manager is an indirect wholly-owned subsidiary of SFH. As SFH is owned as to approximately 55% by Mingde Holding, a company established in the PRC, which is in turn owned as to 99.9% by Mr. WANG Wei, a Director, and SFH also indirectly owns the Manager and a Substantial Unitholder of SF REIT (being the Seller), the Operations Manager is an associate of the Manager, the Seller (being a Substantial Unitholder) and a Director and therefore a connected person of SF REIT.

“Ordinary Resolution”	means a resolution of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue.
“Other Acquisition Fees and Expenses”	has the meaning ascribed to this term in section E.3 headed “Fees and charges in relation to the Acquisition – Other Acquisition Fees and Expenses” in this announcement.
“Phase 1 Land Parcel”	has the meaning ascribed to this term in section B.1 headed “The Changsha Property – Description” in this announcement.
“Phase 2 Land Parcel”	has the meaning ascribed to this term in section B.1 headed “The Changsha Property – Description” in this announcement.
“PRC or China”	means The People’s Republic of China.
“PRC Government”	means the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them.
“PRC Legal Advisers”	means King & Wood Mallesons, an independent third party.
“Proposed Annual Caps”	has the meaning ascribed to this term in section H.2.1 headed “Continuing Connected Party Transactions – Non-exempt Continuing Connected Party Transactions with the SFH Group – Operations Management Agreement” in this announcement.
“Purchaser”	means Golden Bauhinia Logistics Holdings Limited (金紫荆物流控股有限公司), a BVI business company incorporated in the BVI and an indirect wholly-owned subsidiary of SF REIT.
“REIT”	means real estate investment trust.
“REIT Code”	means the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being.

“Renewed Changsha SF Leases”	has the meaning ascribed to this term in section B.8.1 headed “The Changsha Property – Lease agreements – Duration” in this announcement.
“Reorganisation”	has the meaning ascribed to this term in section C.1 headed “Reorganisation – Holding structure of the Changsha Property prior to Reorganisation” in this announcement.
“Reorganisation Payable”	means (a) the amount owing from the Changsha Intermediary Company to Shenzhen Fengtai, which will stand at approximately RMB230.6 million (equivalent to approximately HK\$282.2 million) immediately prior to Completion, being the amount of the consideration outstanding for the transfer of 99% equity interest in the registered capital of the Changsha Property Company to the Changsha Intermediary Company under the Reorganisation; and (b) the amount owing from the Changsha Intermediary Company to SF Holding, which will stand at approximately RMB2.3 million (equivalent to approximately HK\$2.8 million) immediately prior to Completion, being the amount equivalent to the consideration outstanding for the transfer of 1% equity interest in the registered capital of the Changsha Property Company to the Changsha Intermediary Company under the Reorganisation.
“Reorganisation Repayment Amount”	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.
“RMB”	means Renminbi, the official currency of the PRC.
“Sale and Purchase Deed”	means the sale and purchase deed dated 2 June 2022 and entered into by and among the Purchaser, the Manager (in its capacity as manager of SF REIT), the Seller and SF Holding (as guarantor) for the acquisition of the Sale Share by the Purchaser.
“Sale Share”	means the sole issued share of the Target Company.

“Seller” or “SF Fengtai”	means SF Fengtai Industrial Park Holdings Limited (順豐豐泰產業園控股有限公司), a BVI business company incorporated in the BVI which is a Substantial Unitholder of SF REIT holding 35% of the issued Units and the direct owner of the Target Group, which in turn owns the Changsha Property.
“SF Connected Tenants”	means the tenants or licensees of the SF Leases.
“SF Continuing CPTs”	means the Operations Management Agreement and the Changsha SF Leases and the transactions contemplated thereunder.
“SF Holding”	means SF Holding Limited (順豐控股有限公司), a company incorporated in Hong Kong and a direct wholly-owned subsidiary of Shenzhen SF Taisen.
“SF Lease Annual Caps”	has the meaning ascribed to this term in section H.2.2 headed “Continuing Connected Party Transactions – Non-exempt Continuing Connected Party Transactions with the SFH Group – Changsha SF Leases” in this announcement.
“SF Lease Continuing CPTs Waiver”	has the meaning ascribed to this term in section H.2.2 headed “Continuing Connected Party Transactions – Non-exempt Continuing Connected Party Transactions with the SFH Group – Changsha SF Leases” in this announcement.
“SF Leases”	means the leases, tenancies or licences entered into by or renewed by the relevant member of the SF REIT Group (as landlords) with the connected persons of SF REIT (as tenants or licensees) from time to time.
“SF Leasing Framework Agreement”	has the meaning ascribed to this term in section H.2.2 headed “Continuing Connected Party Transactions – Non-exempt Continuing Connected Party Transactions with the SFH Group – Changsha SF Leases” in this announcement.
“SF REIT”	means SF Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust authorised under section 104 of the SFO subject to applicable conditions from time to time (whose Units are listed on the Stock Exchange) and the companies controlled by it, as the context requires.

“SF REIT Group”	means SF REIT and its subsidiaries.
“SFC”	means the Securities and Futures Commission of Hong Kong.
“SFH”	means S.F. Holding Co., Ltd. (順豐控股股份有限公司), a company established in the PRC, and whose shares are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ).
“SFH Group”	means SFH and its subsidiaries.
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time).
“Share Consideration”	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.
“Shenzhen Fengtai”	means Shenzhen Fengtai E-Commerce Industrial Park Asset Management. Co., Ltd.* (深圳市豐泰電商產業園資產管理有限公司), a company established in the PRC and a direct wholly-owned subsidiary of Shenzhen SF Taisen.
“Shenzhen Intra-city”	means Shenzhen SF Intra-city Logistics Co., Ltd.* (深圳市順豐同城物流有限公司), a limited company established in the PRC, which is an indirect non wholly-owned subsidiary of SFH and a Changsha SF Connected Tenant.
“Shenzhen SF Taisen”	means Shenzhen SF Taisen Holdings Group Co., Ltd.* (深圳順豐泰森控股(集團)有限公司), a company established in the PRC and a direct wholly-owned subsidiary of SFH.
“SPV” or “special purpose vehicle”	means a special purpose vehicle that is owned and controlled by SF REIT in accordance with the REIT Code and the Trust Deed.
“sq.m.”	means square metre.
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.
“Substantial Unitholder”	has the same meaning as “substantial holder” as defined under the REIT Code.

“Sunny Sail”	means Sunny Sail Holding Limited (陽帆控股有限公司), a company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of SF Holding.
“Target Company”	means Changsha Industrial Park Limited (長沙產業園有限公司), a BVI business company incorporated in the BVI which is the direct owner of the Changsha Intermediary Company and the indirect owner of the Changsha Property Company, which in turn directly owns the Changsha Property.
“Target Group”	means collectively, the Target Company, the Changsha Intermediary Company and the Changsha Property Company.
“Target Group Adjusted NAV”	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.
“Tax Advisers”	means KPMG Advisory (China) Limited, an independent third party.
“Third Party Leases”	means the leases entered into between the Changsha Property Company, as owner of the Changsha Property, and independent third parties of the SFH Group and the SF REIT Group, as tenant or licensee of the Changsha Property.
“Total Consideration”	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.
“True-up Payment”	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition – Key terms of the Sale and Purchase Deed – Consideration and payment terms for the Acquisition” in this announcement.
“Trust Deed”	means the trust deed constituting SF REIT dated 29 April 2021 and entered into between the Trustee and the Manager, as may be amended and supplemented from time to time.

“Trustee”	means DB Trustees (Hong Kong) Limited, in its capacity as trustee of SF REIT. All references to the Trustee in this announcement are, as the context may require, to the Trustee acting on behalf of SF REIT and on the instructions of the Manager.
“Trustee’s Additional Fee”	has the meaning ascribed to this term in section E.4 headed “Fees and Charges in relation to the Acquisition – Trustee’s Additional Fee” in this announcement.
“Unit”	means one undivided unit in SF REIT.
“Unitholder”	means any person registered as holding a Unit on the register of Unitholders.
“Unit Registrar”	means Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
“Valuation Report”	means the valuation report in respect of the Changsha Property prepared by the Independent Property Valuer, the text of which will be set out in Appendix 5 to the Circular.
“VAT”	means value-added tax.
“%”	means per cent or percentage.

* *For identification purposes only.*

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, 2 June 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. HO Chit 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.

For illustrative purposes only, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the period-end closing exchange rate on 31 December 2021 of RMB1 to HK\$1.2238.