中国物流资产 CHINA LOGISTICS PROPERTY HOLDINGS

START

2016 ANNUAL REPORT **年度報告**

A NEW CHAPTER

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中國物流資產控股有限公司
CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD
（於開曼群島註冊成立的有限公司）
（Incorporated in the Cayman Islands with Limited Liability）

物流設施提供商 · 服務商
LOGISTICS FACILITIES AND SERVICE PROVIDER

股份代號：1589
STOCK CODE：1589

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Shifa *(Chairman)*
Mr. Pan Naiyue
Mr. Sun Limin *(resigned on 30 March 2017)*
Mr. Zhang Long
Mr. Wu Guolin *(appointed on 30 March 2017)*
Ms. Li Huifang *(appointed on 30 March 2017)*
Mr. Chen Runfu *(re-designated from a non-executive director on 30 March 2017)*

Non-executive Directors

Mr. Ong Tiong Sin
Mr. Liu Xiangge
Mr. Wang Yeyi *(appointed on 30 March 2017)*
Ms. Li Qing *(re-designated from an executive director on 30 March 2017)*

Independent Non-executive Directors

Mr. Guo Jingbin
Mr. Fung Ching Simon
Mr. Wang Tianye
Mr. Leung Chi Ching Frederick
Mr. Chen Yaomin *(appointed on 30 March 2017)*

AUDIT COMMITTEE

Mr. Fung Ching Simon *(Chairman)*
Mr. Guo Jingbin
Mr. Leung Chi Ching Frederick

REMUNERATION COMMITTEE

Mr. Guo Jingbin *(Chairman)*
Mr. Li Shifa
Ms. Li Qing
Mr. Fung Ching Simon
Mr. Wang Tianye

NOMINATION COMMITTEE

Mr. Li Shifa *(Chairman)*
Ms. Li Qing
Mr. Guo Jingbin
Mr. Wang Tianye
Mr. Leung Chi Ching Frederick

COMPANY SECRETARY

Ms. So Ka Man

AUTHORIZED REPRESENTATIVES

Ms. Li Qing
Ms. So Ka Man

LEGAL ADVISORS

As to Hong Kong law:
Simpson Thacher & Bartlett
35/F, ICBC Tower
3 Garden Road
Central, Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
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China

As to Cayman Islands law:
Ogier
Floor 11 Central Tower
28 Queen's Road Central
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

TC Capital International Limited
Suite 1903–4, 19th Floor
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Harbour City
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Tsim Sha Tsui, Kowloon
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COMPANY'S WEBSITE

www.cnlpholdings.com

STOCK CODE

1589

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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1000 Xiechun Road
Jiading District
Shanghai
PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
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183 Queen's Road East
Wanchai
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REGISTERED OFFICE IN THE CAYMAN ISLANDS

Harneys Services (Cayman) Limited
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3213, Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

PRINCIPAL BANKS

Ping An Bank Co., Ltd., Shanghai Branch
China Merchants Bank Co., Ltd.
Suzhou Ganjianglu Sub-branch
Ping An Bank Co., Ltd., Hangzhou Branch
Industrial and Commercial Bank of China Ltd.,
Kunshan Branch
Bank of China, Suzhou High-tech Industrial Development
Zone Sub-branch

Financial Summary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December			
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**270,861**	163,238	67,555	49,016
Gross profit	**181,980**	105,986	46,293	32,821
Gross profit margin	**67.2%**	64.9%	68.5%	67.0%
Profit for the year attributable to the owners of the Company[1]	**720,478**	1,205,365	147,843	233,771
Non-IFRSs items:				
Core net profit[2][3]	**50,217**	43,677	6,425	11,157
Core net profit margin	**18.5%**	26.8%	9.5%	22.8%

CONSOLIDATED BALANCE SHEETS

	As of 31 December			
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Assets				
Non-current assets	**13,447,682**	9,960,804	3,384,828	1,806,036
Current assets	**2,093,001**	914,518	1,317,808	152,548
Total assets	**15,540,683**	10,875,322	4,702,636	1,958,584
Equity and liabilities				
Total equity	**8,479,092**	1,984,434	639,353	491,510
Non-current liability	**6,018,954**	7,734,753	2,858,878	773,059
Current liabilities	**1,042,637**	1,156,135	1,204,405	694,015
Total liabilities	**7,061,591**	8,890,888	4,063,283	1,467,074
Total equity and liabilities	**15,540,683**	10,875,322	4,702,636	1,958,584
Net current assets/(liabilities)	**1,050,364**	(241,617)	113,403	(541,467)
Total assets less current liabilities	**14,498,046**	9,719,187	3,498,231	1,264,569

Note:

(1) A substantial portion of the Company's profit for the years indicated comprised non-recurring fair value gains on investment properties and government grants.

(2) This is not an IFRSs measure. The Group has presented this non-IFRSs item because the Group considers it an important supplemental measure of the Group's operating performance and believes it is frequently used by analysts, investors and other interested parties in the evaluation of companies in the same industry. The Group's management uses such non-IFRSs item as an additional measurement tool for purposes of business decision-making. Other companies in the same industry may calculate this non-IFRSs item differently than the Group does.

(3) The Group defines its core net profit as its profit for the year attributable to the owners of the Company, eliminating the effect of certain non-recurring or non-core items such as interest income on bank deposits, net exchange losses/gains, listing expenses, pre-IPO private placement commission fee, interest expenses of bridge loan, other one-off transaction expenses, other income (e.g. government grants) and other tax impact, some of which may recur in the future, and further adjusted for certain non-cash items, including fair value gains on investment properties — net, fair value losses on hybrid instrument — net, other gains — net, share of profit of investments accounted for using the equity method and tax impact on fair value changes.

Chairman's Statement

Dear Shareholders,

The year of 2016 was a truly remarkable year to the Company. We successfully achieved the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchnage**") on 15 July (the "**Listing**"), which was a significant milestone in the Company's development history. On one hand, the successful listing demonstrated the recognition from the capital market of the Company's development strategy and corporate governance and laid a solid foundation for the Company's future development. On the other hand, the Listing signified a key step in our goal to develop into the largest provider of premium logistics facilities in China. With such components in place, we believe they would take us to the next level of our corporate development.

During the past year, riding the favorable conditions of steadily increase domestic economy and continually strong demand for high-end storage facilities, the Company focused on the established development strategy and led all its members to seized the opportunities and made remarkable progress in all aspects to achieve the established stage objectives.

Continuously expanding our nationwide network

The Company strives to develop into the largest provider of premium logistics facilities in China. We believe that a sound network layout is critical to the added value of the Company, apart from the contribution made by the scale expansion to the Company's overall performance, such added value is also reflected in the strong encouragement to our customers to develop their businesses through our nationwide network. In addition, our nationwide network could improve the customers' loyalty as well as consolidate and enhance the good relationships with them. In 2016, we continued to expand our nationwide network in municipalities, provincial capitals and other selected logistics node cities. As of 31 December 2016, the Company owned logistics facilities, both under operation and construction, in 27 cities, with an area of approximately 2.5 million square meters, which represented an increase of 19% over the end of 2015. The Company also owned land held for development with an area of 0.6 million square meters and signed investment contracts for land with an area of 3.3 million square meters. The above factors will continue to maintain our leading position as a premium logistics facilities provider in China.

Continuously optimizing tenant portfolio and enhancing customer relationships

In view of the economic development trend in recent years in the PRC, we realize that the rapid growth of the domestic consumption and e-commerce has become a significant economic feature, while with the growth of income and changes in consumption concept of the residents, it is expected that the domestic consumption and e-commerce will continue to show a rapid growth trend in the next five to ten years, and will promote the third-party logistics to achieve a stable development. Based on the in-depth study of macroeconomic situation and the industry market, we will continue to optimize our tenant portfolio and make great efforts to enter into lease agreements with e-commerce customers so as to increase their proportion in the Company's total tenants and create a more reasonable tenant portfolio to meet the industry development trend, control operational risks and improve our operating performance. According to the rental income analysis, the annual rental income contribution rate of the e-commerce customers is 36.9% in 2016, increased by nearly ten percentage points compared to 27.2% in 2015.

Chairman's Statement

At the same time, with the favorable conditions of the Company's sound nationwide network and good relationships with our customers, we have carried out multi-cooperation with certain well-known customers, such as JD, Cainiao Network, Ting Tong Logistics and Sinotrans, in many domestic logistics parks to improve the customers' loyalty, grasp the customers' needs, reduce leasing costs and shorten the leasing cycle of new logistics parks.

Adhering to market demand-oriented, continuously optimizing our product design

The Company has been striving to provide customers with high-quality logistics facilities, carrying out product design work under the principle of adhering to market demand-oriented and forming a comprehensive product innovation system to ensure the market competitiveness. Our leasing, design and property management departments have been maintaining close and effective communication with customers, paying attention to the customers' comments and suggestions, studying the market demand and continuously optimizing the product design. For providing high quality and standardized logistics facilities to the market, we have been widely welcomed by customers through developing personalized products to meet the characteristics of relevant industries, improving customers' logistics efficiency and reducing operating costs based on the specific needs of customers from e-commerce, third-party logistics, express delivery and other market segments.

Strengthening team building, establishing our first-class management and staff team

We believe that human resources are the most valuable resources for the Company, outstanding teamwork is the core competitiveness to different us from other competitors in the industry, thus we have been attracting, motivating and training management talent. In order to establish a comprehensive team with diverse background and maintain first-class management talent in the logistics facilities industry, apart from maintaining the stability of the existing team, the Company has been continuously recruiting all kinds of talents at home and abroad, implementing a comprehensive training program and providing essential learning tools in 2016. Meanwhile, the Company has been continuously improving its assessment system, developing and implementing a variety of incentive mechanisms to maintain the interests of management, employees and the Group as a whole. In 2016, the Company implemented the first option incentive plan, which involve a total of 15 members of the management of the Company, including executive directors, senior managements as well as certain department heads and managers, we believe that such plan will enable the employees and the Groups to become more convergence between their objectives and interests and encourage employees to create greater value for the development of the Company.

Actively performing social responsibilities, striving to be an outstanding corporate citizen

The Company has been striving to become an outstanding corporate citizen and perform its social responsibilities actively, which was reflected in our active promotion of honesty and trustworthiness, compliance operation, continuous improvement of corporate governance, persistence of care to our staff and many other aspects. In addition, the Company also actively participated in social welfare undertakings, concerned about the education of children in poverty areas and provided assistance within its own capacity. We advocate the harmonious coexistence between human and nature, and strive to reduce the impact of the Company's business operations on the environment, promote the sustainable development of the environment, integrate the concept of environmental protection into the product design process, and promote the application of clean and renewable energy such as solar power in the logistics parks. We will also try our best to reduce the carbon emissions and make efforts to expand our business with smaller environmental impact.

Cooperating to create new prospect

In 2016, we made unremitting efforts to achieve the established development goals. However, we believe that the functions of the Company during the past year is more important to laid a solid foundation for the future sustainable development from the project development, land bank, team building, customers reserves and system construction.

We are still optimistic about the future economic development fundamentals in the PRC. With the favorable conditions of the steady growth of consumption, the rapid development of e-commerce and the continuously progress of urbanization as well as many other favorable factors, we expect that the premium logistics facilities market still has a broad demand.

In the future, apart from other provincial and logistics node cities, we will pay more attention to the Yangtze River Delta, the Pearl River Delta, the Bohai Sea Region and other most economically developed regions in the PRC, constantly improve the layout of premium logistics facilities nationwide network; seize the favorable opportunity to take advantage of first-move to expand our industrial scale. In addition, we will follow the rule of the industry development cycle to continuously optimize the tenant structure, enhance the ability of risks control, improve operating performance; consolidate the good cooperation relationships with existing customers and develop new customers through strengthening the property services, innovating product design, optimizing product quality and improving communication mechanism. At the same time, we will strive to expand our own financing platform by taking advantage of the financial center of Hong Kong. We will absorb domestic and foreign capital to reduce financing costs through bonds, loans and other diversified financing channels. On the other hand, we will develop our own fund investment management platform to achieve a more flexible capital operation and control the asset-liability ratio at a reasonable level. Finally, the Company will make great efforts to strengthen its own construction, improve corporate governance and regulatory level to create a first-class operation team with diverse background, well experienced, passionate and stability. We believe that the future ahead is clear and we have the confidence to create new prospect with our stakeholders.

I would like to avail myself of this opportunity to express my heartfelt gratitude to the management and all employees of the Company for their hardwork and contribution to the successful listing and sustainable development of the Company during the past year. I also express my thankfulness to all shareholders and partners for their concern and trust. We will honor our mission and work closely for a greater value for the society, shareholders, partners and all employees.

Li Shifa
Chairman
Hong Kong, 29 March 2017

Business Review and Outlook

BUSINESS OVERVIEW

In 2016, the Group had completed construction work of 12 logistics parks at locations including Chengdu, Hefei, Tianjin, Jiaxing, Changzhou, Nantong, Huaian, Huizhou, Harbin, Zhaoqing, Suzhou and Wuxi with an aggregate gross floor area ("**GFA**") of approximately 1.1 million square meters ("**sq.m.**"), which is in line with the Company's overall expansion plan for the year. As of 31 December 2016, the Company had 116 logistics facilities in operation in 24 logistics parks, located in logistics hubs in 12 provinces or centrally administered municipalities.

As demands from tenants in e-commerce and third-party logistics providers industries continued to increase, the Group expanded its network of logistics facilities to cope with such demand and thereby grew its revenue by 65.9% from RMB163.2 million in 2015 to RMB270.9 million in 2016. The Group's gross profit increased from RMB106.0 million in 2015 to RMB182.0 million in 2016. As of 31 December 2016, the Group recorded a net current assets of RMB1,050.4 million as compared with a net current liabilities of RMB241.6 million recorded as of 31 December 2015.

In addition to the positive operational and financial performances, the Company was successfully listed on the Main Board of the Stock Exchange on 15 July 2016, which marked an important milestone in the Group's strategic development.

Major Operating Data of the Group's Logistics Parks

The following table sets forth the major operating data of the Group's logistics parks in 2016:

	As of 31 December	
	2016	2015
Completed GFA:		
Stabilized logistics parks (million sq.m.)[1]	**0.9**	0.6
Pre-stabilized logistics parks (million sq.m.)[2]	**1.2**	0.3
Total (million sq.m.)	**2.1**	1.0
Logistics parks under development or being repositioned (million sq.m.)	**0.4**	1.1
Land held for future development (million sq.m.)	**0.6**	0.9
Investments accounted for using equity method (million sq.m.)	**0.1**	0.1
Total GFA (million sq.m.)	**3.2**	3.2
Investment projects (million sq.m.)[3]	**3.3**	3.6
Occupancy rate for stabilized logistics parks (%)[1]	**86.6**	89.3

(1) Logistics facilities (i) for which construction have been completed for more than 12 months as of 31 December 2016 or (ii) reached an occupancy rate of 90%.

(2) Logistics facilities (i) for which construction or acquisition have been completed for less than 12 months as of 31 December 2016 and (ii) reached an occupancy rate less than 90%.

(3) Logistics park projects for which investment agreements for the acquisition of land have been entered into but land grant contracts or formal acquisition agreements have not been entered into.

BREAKDOWN OF INVESTMENT PROPERTIES

Completed Logistics Parks

The following table sets forth a summary of all the Group's completed and stabilized logistics parks as of 31 December 2016, together with the valuation of such logistics parks as of 31 March 2016 (as disclosed in the prospectus of the Company dated 30 June 2016) (the "**Prospectus**"):

Logistics Parks	Total GFA (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 March 2016 (as disclosed in the Prospectus) (in RMB million)	**Property Valuation as of 31 December 2016 (in RMB million)**
Beijing Yupei Linhaitan Logistics Park, East Zhanggezhuang Village, Yongledian Town, Tongzhou District, Beijing, PRC	84,927	Logistics Facilities	Yes	638	**643**
Shanghai Yuhang Huangdu Logistics Park, 1000 Xiechun Road, Jiading District, Shanghai, PRC	35,083	Logistics Facilities	Yes	150	**154**
Suzhou Yupei Logistics Park, east to Dongtinghu Road, Zhoushi Town, Kunshan, Jiangsu Province, PRC	118,613	Logistics Facilities	Yes	757	**759**
Yupei Wuhan Hannan Logistics Park, Wujin Industrial Park, Dongjing Street, Hannan District, Wuhan, Hubei Province, PRC	73,098	Logistics Facilities	Yes	304	**312**
Shenyang Yupei Shenbei Logistics Park, No. 10 Hongye Street, Shenyang New North Area, Shenyang, Liaoning Province, PRC	84,621	Logistics Facilities	Yes	390	**394**
Shenyang Yupei Economic Development Zone Logistics Park, No. 17 Shenxi Jiudong Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning Province, PRC	40,262	Logistics Facilities	Yes	172	**175**
Zhengzhou Yupei Huazhengdao Logistics Park, southeast of Yitong Street and Xida Road, Zhengzhou, Henan Province, PRC	31,166	Logistics Facilities	Yes	143	**151**

Business Review and Outlook

Logistics Parks	Total GFA (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 March 2016 (as disclosed in the Prospectus) (in RMB million)	**Property Valuation as of 31 December 2016 (in RMB million)**
Chuzhou Yuhang Logistics Park Phase I & II, No. 8 Huayuan West Road, Langya District, Chuzhou, Anhui Province, PRC	63,568	Logistics Facilities	Yes	281	**290**
Wuhu Yupei Logistics Park, Sanshan District Logistics Park, Wuhu, Anhui Province, PRC	90,304	Logistics Facilities	Yes	267	**272**
Zhengzhou Yupei Logistics Park, south of Gucheng South Road, west of Jinsha Avenue, north of Xida Road, east of Litong Road, Zhongmou Town, Zhengzhou, Henan Province, PRC	112,081	Logistics Facilities	Yes	557	**563**
Tianjin Yupei Logistics Park, southwest of Xiangjiang Avenue and Bohai 26th Road, Tianjin Harbor Economic Area, Binhai New District, Tianjin, PRC*	96,407	Logistics Facilities	Yes	439	**505**
Hefei Yuhang Logistics Park, southeast of the intersection of Donghua Road and Xinhua Road, Cuozhen Town, Feidong County, Hefei, Anhui Province, PRC*	56,014	Logistics Facilities	Yes	194	**230**
Total	886,144				**4,448**

Note:

* The logistics park was classified as projects under development as of 31 March 2016.

The following table sets forth a summary of all the Group's completed and pre-stabilized projects as of 31 December 2016, together with the valuation of such projects as of 31 March 2016 as disclosed in the Prospectus:

Logistics Parks	Total GFA (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 March 2016 (as disclosed in the Prospectus) (in RMB million)	**Property Valuation as of 31 December 2016 (in RMB million)**
Suzhou Yuqing Logistics Park, No. 8 Datong Road, Suzhou New District, Suzhou, Jiangsu Province, PRC[(1)]	171,108	Logistics Facilities	Yes	899	**925**
Changchun Yupei Logistics Park, Hangkong Street, North Area of Changchun National Hi-Tech Industrial Development Zone, Changchun, Jilin Province, PRC[(1)]	63,472	Logistics Facilities	Yes	278	**282**
Chengdu Yupei Shengbao Logistics Park, No. 9 Minsheng Road, Xiangfu Town, Qingbaijiang District, Chengdu, Sichuan Province, PRC[(2)]	113,133	Logistics Facilities	Yes	377	**527**
Wuxi Yupei Logistics Park — Phase I, northwest of Zhoumatang West Road and Yongjun Road, An Town, Wuxi, Jiangsu Province, PRC[(2)]	61,609	Logistics Facilities	Yes	219	**273**
Jiaxing Yupei Logistics Park, east to Sidian Gang, south to Xinchang Road, Nanhu District, Jiaxing, Zhejiang Province, PRC[(2)]	130,846	Logistics Facilities	Yes	500	**756**
Changzhou Yupei Logistics Park, northwest of Longcheng Avenue and Shengda Road, Luoxi Town, Xinbei District, Changzhou, Jiangsu Province, PRC[(2)]	82,712	Logistics Facilities	Yes	267	**318**
Nantong Yupei Logistics Park, northeast of Dongfang Avenue and Wei 18th Road, Nantong Sutong Science & Technology Park, Tongzhou District, Nantong, Jiangsu Province, PRC[(2)]	41,449	Logistics Facilities	Yes	129	**157**

Business Review and Outlook

Logistics Parks	Total GFA (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 March 2016 (as disclosed in the Prospectus) (in RMB million)	**Property Valuation as of 31 December 2016 (in RMB million)**
Huaian Yupei Logistics Park, southwest of Heping Road and Kaixiang Road, Huaian Economic & Technological Development Zone, Huaian, Jiangsu Province, PRC(2)	58,132	Logistics Facilities	Yes	127	**187**
Huizhou Yupei Logistics Park, Yunbu village, Luoyang Town, Huizhou, Guangdong Province, PRC(2)	117,993	Logistics Facilities	Yes	284	**502**
Suzhou Yuzhen Logistics Park, northwest of Wenchang Road and National Road 312, Suzhou National Hi-Tech District, Suzhou, Jiangsu Province, PRC(2)	181,549	Logistics Facilities	Yes	492	**913**
Harbin Yupei Logistics Park, east of Songhua Road, south of New Holland Co., Ltd, Harbin, Heilongjiang Province, PRC(2)	78,675	Logistics Facilities	Yes	145	**331**
Zhaoqing Yupei Logistics Park, Dasha Town, Sihui, Zhaoqing, Guangdong Province, PRC(2)	106,309	Logistics Facilities	Yes	339	**568**
Total	1,206,987				**5,739**

Note:

(1) The logistics park was classified as pre-stabilized due to certain changes in the local regulatory regime.

(2) The logistics park was classified as under development as of 31 March 2016.

Logistics Parks Under Development

The following table sets forth the overview of the Group's logistics parks under development as of 31 December 2016, together with the valuation of such logistics parks as of 31 March 2016 as disclosed in the Prospectus:

Logistics Parks	Total GFA (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 March 2016 (as disclosed in the Prospectus) (in RMB million)	**Property Valuation as of 31 December 2016 (in RMB million)**
Wuxi Yupei Logistics Park — Phase II, northeast of Zhoumatang Road and Xidong Avenue, Wuxi, Jiangsu Province, PRC(1)	126,810	Logistics Facilities	Yes	149	**255**
Jinan Yupei Logistics Park, south of National Road G20 and west of National Road G220, Jinan, Shandong Province, PRC(3)	48,534	Logistics Facilities	Yes	28	**90**
Dalian Yupei Logistics Park, east of Gaoxinyuan 12th Road, north of Gaoxinyuan 3rd Road, Jinzhou Economic and Technical Development Zone, Dalian, Liaoning Province, PRC(1)	139,696	Logistics Facilities	Yes	325	**474**
Xianyang Yupei Logistics Park, Beiyuan New Town, Xianyang, Shaanxi Province, PRC(2)	120,607	Logistics Facilities	Yes	N/A	**150**
Total	435,647				**969**

Note:

(1) The logistics park was categorized as land held for future development as of 31 March 2016.

(2) The logistics park was added as an investment property of the Group after 31 March 2016.

(3) The name of this logistics park had been changed from "Jiyang Yupei Logistics Park — Phase I" as disclosed in the Prospectus to "Jinan Yupei Logistics Park" as of 31 December 2016.

Land Held for Future Development

The table below sets forth the overview of the Group's land held for future development as of 31 December 2016, together with the valuation of such projects as of 31 March 2016 as disclosed in the Prospectus:

Logistics Parks	Total GFA (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 March 2016 (as disclosed in the Prospectus) (in RMB million)	**Property Valuation as of 31 December 2016 (in RMB million)**
Qingpu Yuji Logistics Park, Qingpu Industrial Zone, Qingpu District, Shanghai, PRC	301,894	Logistics Facilities	Yes	823	**885**
Shanghai Yupei Qingyang Logistics Park, east of Waiqingsong Highway and Qingsong Road, Qingpu District, Shanghai, PRC	67,593	Logistics Facilities	Yes	184	**186**
Shanghai Yuzai Logistics Park, Xuanqiao Town, Nanhui Industrial Zone, Pudong New District, Shanghai, PRC	103,800	Logistics Facilities	Yes	296	**303**
Shanghai Yupei Jinshan Logistics Park, southeast of Rongdong Road and Rongtian Road, Jinshan District, Shanghai, PRC	80,612	Logistics Facilities	Yes	194	**196**
Dalian Yupei Logistics Park Phase II, east of Gaoxinyuan 12th Road, north of Gaoxinyuan 3rd Road, Jinzhou Economic and Technical Development Zone, Dalian, Liaoning Province, PRC*	74,368	Logistics Facilities	Yes	N/A	**113**
Total	628,267				**1,683**

Note:

* The logistics park was added as an investment property of the Group after 31 March 2016.

Business Review and Outlook

Industry Overview

In recent years, the market of logistics facilities has grown rapidly in China, buoyed by demand for increasingly advanced logistics services. However, China still ranks below economically developed markets with respect to both quantity and quality of logistics facilities. According to data from the market research report on the China's logistics facilities market prepared by DTZ Cushman & Wakefield Limited, an independent professional real estate consultant, the GFA of premium logistics facilities in China reached 28.5 million sq.m. at the end of 2016, which is still a small portion in a market with similar size of the markets in the United States, where its premium logistics facilities reached a total GFA of 150 million sq.m. Meanwhile, China's logistics facilities space per capita was significantly lower than developed markets such as the United States and Japan.

In 2016, demand for premium logistics facilities remained strong with an annual absorption volume over 3.3 million sq.m., close to the record high recorded in 2015. In terms of demand from different industry segments, demand from third-party logistics providers and e-commerce companies continued to be the key driver in the premium logistics facilities market, while the demand from retailers and manufacturers remained relatively stable. Overall, demand for premium logistics facilities constantly outpaces supply, and has led to a steady increase in rental prices over the past few years that will continue.

OUTLOOK

Business Outlook

In 2017, the Group will continue its efforts to achieve its goal to develop into the largest provider of premium logistics facilities in China and maintaining its leading position as a premium logistics facilities provider in China. The Group intends to continue to pursue the following:

- *Strengthen nationwide network across major logistics hubs* — The Group has continued to strengthen its nationwide network of logistics facilities by developing its land held for future development and acquiring new land for investment projects, identifying new investment projects and selectively acquiring existing logistics facilities. As of 31 December 2016, the Group has approximately 0.6 million sq.m. of GFA of land held for future development and approximately 3.3 million sq.m. of GFA of investment projects. Going forward, the Group plans to continue its focus in economically more developed regions, such as the Yangtze River Delta economic zone, the Bohai economic zone and the Pearl River Delta economic zone, as well as other selected provincial capitals to continuously strengthen its nationwide network.

- *Accelerate lease-up cycle and optimize tenant portfolio* — The Group will continue to maintain constant dialogues with both existing and prospective tenants to manage lease renewals and fill up vacancies at its logistics facilities in a timely and efficient manner. In particular, the Group will continue to leverage the strong network effect of its logistics facilities portfolio to attract existing and prospective tenants with a view to expanding their national footprint in China. In the meantime, in view of the strong growth of China's domestic consumption as well as the e-commerce market, the Group will also continue to optimize its tenant portfolio and increase the proportion of e-commerce companies to better meet the market demand.

- *Diversify sources of capital and lower cost of capital* — The Group will strive to expand our own financing platform by leveraging the advantages of Hong Kong being an international financial center. The Group will absorb domestic and foreign capital to reduce financing costs through bonds, loans and other diversified financing channels. The Group will also develop its own fund investment management platform to achieve a more flexible capital operation and to gain better control over the Group's asset-liability ratio.

- *Attract, motivate and cultivate management talent and personnel* — The Group will continue to recruit both domestic and international talent in order to create a well-rounded work force with a diversity of backgrounds. The Group will also continue to provide training programs and essential learning tools with a view to cultivating top tier management talent in the logistics facilities industry. Similarly, the Group will also seek to diversify and enhance its incentive mechanisms to better align the interests of management, employees and the Group.

- *Reduce the environmental impact of operations* — The Group is committed to reducing the environmental impact of its operations and promoting environmental sustainability. The Group will continue to increase its efforts to expand its business with minimal environmental impact going forward by designing and developing its projects based on long-term energy savings and efficiencies. In particular, it plans to increase the use of clean and renewable energy and reduce the Group's carbon footprint by installing solar panel on top of its logistics facilities.

Industry Outlook

The Group believes that China's premium logistics facilities market will continue to be affected by the following growth drivers:

- Greater disposable income and increasing urbanization — A major supply shortage of logistics facilities has emerged and continues to increase as the economic growth in China is expected to be driven by increasing consumption in the future, as compared with the PRC government and private sector investments in the past. Greater disposable income, urbanization and e-commerce have emerged as dominant economic growth drivers. Greater disposable income drives increased contribution of consumption to the overall economy.

- Growing e-commerce market in China — China's e-commerce industry continued to experience strong growth in 2016. Key drivers for this growth have been, among others, the unmet demand for many products in smaller cities and towns and the growing rate of internet usage in China.

- Growing third-party logistics service market — The third-party logistics service industry continued to experience steady growth in 2016. Key drivers for this growth have been the demand for more efficient logistics services, rapid development in transportation infrastructure, and the trend for an increasing number of retailers, manufacturers and others choosing to outsource logistics for cost saving and efficiency.

- Favorable government policy — Numerous government policies have highlighted the importance of logistics to China's economic growth.

The following table is a summary of the Group's consolidated statement of comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from the year ended 31 December 2015 to the year ended 31 December 2016:

	For the year ended 31 December				Year-on-Year
	2016		2015		Change
	RMB	%	RMB	%	%
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Comprehensive Income					
Revenue	**270,861**	**100.0**	163,238	100.0	65.9
Cost of sales	**(88,881)**	**(32.8)**	(57,252)	(35.1)	55.2
Gross profit	**181,980**	**67.2**	105,986	64.9	71.7
Selling and marketing expenses	**(19,877)**	**(7.3)**	(14,312)	(8.8)	38.9
Administrative expenses	**(93,246)**	**(34.4)**	(59,496)	(36.4)	56.7
Other income	**25,932**	**9.6**	125,843	77.1	(79.4)
Fair value gains on investment properties – net	**1,102,592**	**407.1**	2,669,987	1,635.6	(58.7)
Fair value losses on hybrid instruments – net	**(114,697)**	**(42.3)**	(1,155,561)	(707.9)	(90.1)
Other gains – net	**797**	**0.3**	171,841	105.3	(99.5)
Operating profit	**1,083,481**	**400.0**	1,844,288	1,129.8	(41.3)
Finance income	**7,529**	**2.8**	47,534	29.1	(84.2)
Finance expenses	**(134,299)**	**(49.6)**	(26,913)	(16.5)	399.0
Finance (expenses)/income – net	**(126,770)**	**(46.8)**	20,621	12.6	(714.8)
Share of profit of investment accounted for using the equity method	**76,502**	**28.2**	16,215	9.9	371.8
Profit before income tax	**1,033,213**	**381.5**	1,881,124	1,152.4	(45.1)
Income tax expense	**(312,735)**	**(115.5)**	(675,759)	(414.0)	(53.7)
Profit for the year attributable to the owners of the Company	**720,478**	**266.0**	1,205,365	738.4	(40.2)
Total comprehensive income for the year attributable to the owners of the Company	**723,595**	**267.1**	1,205,365	738.4	(40.0)
Earnings per share (expressed in RMB)					
Basic	**0.4032**		1.5067		
Diluted	**0.4027**		1.1846		

Management Discussion and Analysis

Revenue

The Group's revenue increased by 65.9% from RMB163.2 million in 2015 to RMB270.9 million in 2016, primarily attributable to (i) an increase in the number of the Group's logistics parks in operation and therefore the total GFA in operation, which is part of the Group's nationwide expansion plan; and (ii) an overall increase in the levels of rent and management fee for the Group's logistics park projects in operation which were generally in line with the market trends in the cities the Group operates.

Cost of Sales

The Group's cost of sales increased by 55.2% from RMB57.3 million in 2015 to RMB88.9 million in 2016, primarily as a result of an increase in the scale of the Group's operation. As a percentage of the Group's revenue, the Group's cost of sales decreased from 35.1% in 2015 to 32.8% in 2016. The decrease was primarily attributable to economies of scale from the Group's growing operation scale and the increase of the operational efficiency of the Group.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 71.7% from RMB106.0 million in 2015 to RMB182.0 million in 2016, and the Group's gross profit margin increased from 64.9% in 2015 to 67.2% in 2016.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 38.9% from RMB14.3 million in 2015 to RMB19.9 million in 2016, primarily due to the expansion of the Group's in-house sales and marketing team to promote the Group's logistics parks. As a percentage of the Group's revenue, selling and marketing expenses decreased from 8.8% in 2015 to 7.3% in 2016, primarily due to economies of scale from the Group's growing operation scale and the increase of the operational efficiency of the Group.

Administrative Expenses

The Group's administrative expenses increased by 56.7% from RMB59.5 million in 2015 to RMB93.2 million in 2016, primarily as a result of incurrence of certain listing expenses and share-based compensation expenses in connection with the Group's pre-IPO share option scheme. As a percentage of the Group's revenue, administrative expenses decreased from 36.4% in 2015 to 34.4% in 2016. The decrease was primarily attributable to economies of scale from the Group's growing operation scale and the increase of the Group's operational efficiency.

Other Income

The Group's other income decreased by 79.4% from RMB125.8 million in 2015 to RMB25.9 million in 2016, primarily due to a decrease in the government subsidies to support for the development of local logistics and storage industry as a result of a decrease in number of logistics parks of which the construction completed in 2016 as compared with 2015.

Fair Value Gains on Investment Properties — Net

The Group's net fair value gains on investment properties decreased by 58.7% from RMB2,670.0 million in 2015 to RMB1,102.6 million in 2016, primarily attributable to (i) the Group added more properties under construction and thus recognized higher fair value gains in 2015 as compared with 2016 and (ii) a slowdown in the growth of rental rates for logistics facilities in 2016 which in turn lowered the growth rate of the value of properties.

Fair Value Losses on Hybrid Instruments — Net

The Group's net fair value losses on hybrid instruments decreased by 90.1% from RMB1,155.6 million in 2015 to RMB114.7 million in 2016. The fair value of the Group's hybrid instruments as of the date of the issuance, de-recognition and/or each balance sheet date were determined based on valuations performed by an independent valuer. See "— Liquidity and Capital Resource — Indebtedness — (b) Hybrid Instruments" for further details.

Other Gains — Net

The Group's other gains decreased by 99.5% from RMB171.8 million in 2015 to RMB0.8 million in 2016, primarily as a result of the negative goodwill arising from the acquisitions of Suzhou Yuqing Logistics Park and Zhengzhou Yupei Huazhengdao Logistics Park the Group recognized in 2015 which did not recur in 2016.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 41.3% from RMB1,844.3 million in 2015 to RMB1,083.5 million in 2016. As a percentage of the Group's revenue, the Group's operating profit decreased from 1,129.8% in 2015 to 400.0% in 2016.

Finance Income

The Group's finance income decreased by 84.2% from RMB47.5 million in 2015 to RMB7.5 million in 2016, primarily as a result of a decrease in net exchange gains in connection with the proceeds from issuance of the Group's hybrid instruments and a decrease in interest income on bank deposits.

Finance Expenses

The Group's finance expenses increased by 399.0% from RMB26.9 million in 2015 to RMB134.3 million in 2016, primarily due to the increase in the balance of the Group's borrowings to support its business growth.

Income Tax Expense

The Group's income tax expenses decreased by 53.7% from RMB675.8 million in 2015 to RMB312.7 million in 2016, primarily as a result of the decrease in the Group's taxable income. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, decreased from 35.9% in 2015 to 30.3% in 2016. The Group's off-shore expenses related to its hybrid instrument and the associated fair value losses and expenses incurred in 2015 cannot be deducted against its profit generated in China, which resulted in the higher effective tax rate in 2015. In 2016, decreases in these expenses resulted in lower proportion of expenses that cannot be deducted for taxation purpose and therefore a lower effective rate.

Profit for the Year Attributable to the Owners of the Group

As a result of the foregoing, the Group's profit for the year attributable to the owners of the Group decreased by 40.2% from RMB1,205.4 million in 2015 to RMB720.5 million in 2016.

Non-IFRSs Measure

To supplement the Group's consolidated annual financial information which is presented in accordance with IFRSs, the Group also uses core net profit as additional financial measure. The Group presents the financial measure because it is used by the Group's management to evaluate its operating performance.

Core Net Profit

The Group defines its core net profit as its profit for the year attributable to the owners of the Company, eliminating the effect of certain non-recurring or non-core items such as interest income on bank deposits, net exchange losses/gains, listing expenses, pre-IPO private placement commission fee, interest expenses of bridge loan, other one-off transaction expenses, other income and other tax impact, some of which may recur in the future, and further adjusted for certain non-cash items, including fair value gains on investment properties – net, fair value losses on hybrid instrument – net and other gains – net, share of profit of investments accounted for using the equity method and tax impact on fair value changes.

The Group's core net profit increased from RMB43.7 million in 2015 to RMB50.2 million in 2016. The increase was primarily due to strong revenue growth as a result of the Group's nationwide expansion as well as economies of scale it achieved through the expansion process. As a percentage of the Group's revenue, the Group's core net profit in 2016 was 18.5%.

LIQUIDITY AND CAPITAL RESOURCES

In 2016, the Group financed its operations primarily through cash from the Group's operations and borrowings from banks and financial institutions. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, borrowings, as well as the remaining net proceeds received from the global offering.

Cash and cash equivalents

As of 31 December 2016, the Group had cash and cash equivalents of RMB1,957.7 million (31 December 2015: RMB820.8 million), which primarily consisted of cash at bank and on hand that were mainly denominated in Renminbi (as to 54.1%), U.S. dollars (as to 44.6%), and Hong Kong dollars (as to 1.3%).

In view of the Group's currency mix, the Group currently does not use any derivative contracts to hedge against the Group's exposure to currency risk. The Group's management manages the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Net proceeds from the global offering (including the partial exercise of the over-allotment option on 6 August 2016), after deducting the underwriting fees and commissions and expenses paid by the Company in relation to the global offering which the Company received amounted to an aggregate of approximately HK$3,362.1 million, comprising HK$3,175.4 million raised from the global offering and HK$186.7 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option (**"Net Proceeds"**).

Management Discussion and Analysis

The table below sets out the details of the Net Proceeds the Group has utilized for the purposes consistent with those set out in the Prospectus:

Use of Net Proceeds	Actual use of Net Proceeds As of 31 December 2016	As of 29 March 2017 (the date of the annual results announcement) (in HK$ millions)	As of 21 April 2017 (the date of this report)
Development of additional logistics park projects	518.2	607.2	618.0
Purchase of part of the equity interest in 18 of the Group's operating subsidiaries held by Carlyle Group L.P. through its wholly-owned subsidiary	1,254.8	1,254.8	1,254.8
Repayment of part of the principal amount and the interest of the credit facility from Credit Suisse AG, Singapore Branch	1,354.1	1,354.1	1,354.1
Provide funding for the Group's working capital and other general corporate purpose	4.5	4.5	7.9
Total	3,131.6	3,220.6	3,234.8

The unutilized Net Proceeds of HK$230.5 million as of 31 December 2016, HK$141.5 million as of 29 March 2017 (the date of the annual results announcement) and HK$127.3 million as of 21 April 2017 (the date of this report) has been deposited into short-term demand deposits in the bank account maintained by the Group. The Group will continue to utilize the Net Proceeds and for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus such as project development and other general purposes.

Indebtedness

(a) Borrowings

As of 31 December 2016, the Group's total outstanding borrowings amounted to RMB5,236.4 million. The Group's borrowings were denominated in Renminbi (as to 61.0%) and U.S. dollars (as to 39.0%). The following table sets forth a breakdown of the Group's current and non-current borrowings as of the dates indicated:

	As of 31 December	
	2016	2015
	(in RMB thousands)	
Non-current borrowings		
Long-term bank borrowings		
— secured by assets	**2,536,954**	1,029,807
— secured by assets and equity interest of certain subsidiaries	**445,525**	—
Long-term borrowings from other financial institutions		
— secured by shares of subsidiary guarantors	**652,944**	—
— unsecured	**1,387,400**	—
	5,022,823	1,029,807
Less: Long-term bank borrowings due within one year	**(390,231)**	(95,422)
	4,632,592	934,385
Current borrowings		
Short-term bank borrowings		
— secured by assets	**213,623**	549,269
Current portion of long-term borrowings	**390,231**	95,422
	603,854	644,691
Total Borrowings	**5,236,446**	1,579,076

The Group's total outstanding borrowings amounted to RMB1,579.1 million and RMB5,236.4 million as of 31 December 2015 and 2016, respectively. The increase in the Group's total borrowings was primarily due to the increase in the Group's construction activities and financing need resulting from its business expansion, as well as for the repayment of part of the credit facility from Credit Suisse AG, Singapore Branch.

As of 31 December 2016, the Group's bank borrowings of RMB2,090.3 million (31 December 2015: RMB89.9 million) bore fixed interest rates and the remaining borrowings bear floating interest rates. The weighted average effective interest rates of the Group's bank borrowings, which represent actual borrowing cost incurred during the period divided by weighted average bank borrowings that were outstanding during the period, for the year ended 31 December 2015 and 2016 were 5.3% and 7.4%, respectively.

Management Discussion and Analysis

The following table sets forth summaries of the Group's current and non-current total borrowings by maturity, as of the dates indicated:

	As of 31 December	
	2016	2015
	(in RMB thousands)	
Within one year	**603,854**	644,691
Between one and two years	**515,608**	104,856
Between two and five years	**3,272,664**	449,063
Over five years	**844,320**	380,466
Total Borrowings	**5,236,446**	1,579,076

The Group has the following undrawn borrowing facilities:

	As of 31 December	
	2016	2015
	(in RMB thousands)	
Floating rate:		
Expiring within one year	**31,378**	132,000
Expiring over one year	**128,000**	—
Fixed rate:		
Expiring over one year	**130,000**	—
	289,378	132,000

(b) Hybrid Instruments

In addition to borrowings from banks and financial institutions, the Group funded its expansion through the issuance of the convertible notes, redeemable convertible deemed preferred shares, prepayable loans and redeemable convertible ordinary shares. The Group retired all of these hybrid instruments immediately prior to the Listing.

(c) Others

In addition to borrowings and hybrid instruments, the Group also had advances of RMB12.3 million due to its related party as of 31 December 2015, such advances have been repaid prior to 30 June 2016. In addition, the Group provided certain financial guarantees, which had been released prior to 30 June 2016.

GEARING RATIO

The Group's gearing ratio is calculated by dividing (i) the Group's total borrowings plus redeemable convertible deemed preferred shares and prepayable loans less cash and cash equivalents and restricted cash, being the Group's net debt, by (ii) the sum of net debt, the Group's total equity, the Group's convertible notes and the Group's redeemable convertible ordinary shares, being the Group's total capital. As of 31 December 2015 and 2016, the Group's gearing ratio was 48.2% and 27.8%, respectively.

CAPITAL EXPENDITURES

The Group made payment for the capital expenditures representing the spent on the development of its logistics park projects, the acquisition of land and the acquisition of property, plant and equipment of RMB2,302.7 million in 2016. In 2015, the Group made capital expenditure of RMB3,178.3 million. The Group's capital expenditure in 2016 was funded primarily by cash generated from its operating activities and bank borrowings.

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2016, there were no significant unrecorded contingent liabilities, guarantees or litigations against the Group.

CHARGE ON GROUP ASSETS

As of 31 December 2016, investment properties of the Group with a total fair value amount of RMB11,327.0 million (2015: RMB6,295.0 million) were pledged as collateral mortgaged to secure bank borrowings of the Group. See Note 18 to the consolidated financial statements for further details.

FUNDING AND TREASURY POLICY

The Group adopts a stable, conservative approach in its finance and treasury policy, aiming to maintain an optimal financial position, the most economic finance costs, and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

MATERIAL ACQUISITIONS AND FUTURE PLANS FOR MAJOR INVESTMENT

In 2016, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

HUMAN RESOURCES

As of 31 December 2016, the Group had a total of 104 employees. The Group has established comprehensive training programs to support and encourage its employees and continued to organize on-the-job training on a regular basis to employees from member of its management team to newly hired employees to improve their relevant skills at work. The Group offers competitive remuneration package which includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee’s qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group’s employee benefit expenses include salaries, benefits and other compensations paid to all of its employees.

In 2016, the total employee benefit expenses of the Group (including salaries, wages, bonuses, employee share option expenses, pension, housing, medical insurance and other social insurance) amounted to RMB41.0 million, representing approximately 15.1% of the total revenue of the Group.

Pursuant to the pre-IPO share option scheme, options to subscribe for an aggregate amount of 15,824,000 shares (representing approximately 0.54% of the total issued share capital of the Company as of the date of this announcement) have been granted by the Company under the pre-IPO share option scheme and such options remained outstanding as of 31 December 2016.

DIVIDENDS

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2016.

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Shifa (李士發), aged 53, is the founder of the Group and was appointed as chairman of the Board, president of the Group and an executive director of the Company on 12 November 2013. He is also the chairman of the nomination committee of the Board (the "**Nomination Committee**") and a member of the remuneration committee of the Board (the "**Remuneration Committee**"). Mr. Li is the executive director and president of Shanghai Yupei (Group) Company Limited (上海宇培(集團)有限公司) ("**Shanghai Yupei**"), the Group's principal operating subsidiary in the PRC, and holds positions as the chairman, executive director, president and/or general manager at each of the subsidiaries of the Company. Mr. Li started the logistics facilities business in the year 2000. With more than 16 years of experience in the logistics facilities industry, Mr. Li has been the key driver of the business strategies and achievements of the Group. He is primarily responsible for formulating and leading the implementation of the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group. Mr. Li has been a committee member of the Wuhu City Chinese People's Political Consultative Conference (蕪湖市政治協商會議) since January 2013 and the vice-president of the China Association of Warehouses and Storage (中國倉儲協會) since December 2014. Mr. Li is the father of Ms. Li Qing, a non-executive director and vice-president of the Group. Mr. Li is also a director of Yupei International Investment Management Co., Ltd, one of the substantial shareholders of the Company.

Mr. Pan Naiyue (潘乃越), aged 36, was appointed as an executive director and chief operating officer of the Company on 25 April 2014 and 12 November 2013 respectively. He joined Shanghai Yupei as director of the business development department in September 2008 and was subsequently appointed senior vice-president and chief operating officer in January 2011 and October 2012 respectively. He also serves as non-executive director at a number of the Group's subsidiaries. Mr. Pan is primarily responsible for managing marketing and leasing operations and strategies, and business development of the Group. Prior to joining the Group, Mr. Pan was assistant officer (property management), officer (customer services, property division) and senior officer (customer relations and clubhouse management) at Hutchison Whampoa Properties (Shanghai) Limited (和記黃埔地產(上海)有限公司), a real estate development and investment company, where he was responsible for property management matters and customer services and relations, from December 2003 to September 2006; head of the business development division at Shanghai Caohejing Development Zone New Economic Park Development Co., Ltd. (上海漕河涇開發區新經濟園發展有限公司), a property developer, where he was responsible for management of the marketing and business development of the properties developed by the company, from September 2006 to May 2007; and manager at Shanghai Mapletree Management Consultancy Co., Ltd. (上海豐樹管理諮詢有限公司), a real estate investment company, where he was responsible for corporate sales and marketing, and leasing operations, from May 2007 to August 2008. Mr. Pan obtained a bachelor's degree in arts (majoring in English for international business) from the University of Central Lancashire, the United Kingdom, in June 2002, and a master's degree in arts (majoring in international business management) from the University of Newcastle upon Tyne, the United Kingdom, in December 2003.

Biographies of the Directors and Senior Management

Mr. Zhang Long (張瓏), aged 40, was appointed as an executive director and chief investment officer of the Company on 25 April 2014 and 12 November 2013 respectively. He joined Shanghai Yupei as chief executive officer in January 2008 until he was appointed chief investment officer of Shanghai Yupei in September 2014. He also serves as non-executive director at a number of the other subsidiaries of the Group. Mr. Zhang is primarily responsible for managing project assessment, site selection, land acquisition, project planning and design related matters. Prior to joining the Group, he served as investment manager of Zhongnan Properties Co., Ltd. (中南置業有限責任公司), a company principally engaged in property development and construction, from June 2001 to August 2005, during which he was responsible for managing property investments. Mr. Zhang obtained a bachelor's degree in economics (majoring in international investment, securities investment) from the China Institute of Finance and Banking (中國金融學院) (now merged into the University of International Business and Economics (對外經濟貿易大學)), the PRC, in June 1998; and a master's degree in economics (majoring in national economy) from Nanjing University (南京大學), the PRC, in June 2008.

Mr. Wu Guolin (吳國林), aged 47, was appointed as an executive director of the Company on 30 March 2017. Mr. Wu joined the Group in the year 2000 as a vice-president of Shanghai Yupei. He was appointed as a senior vice-president of Shanghai Yupei in November 2012 and the senior vice-president of the Company in November 2013. Mr. Wu is responsible for managing project construction related matters of the Group. Mr. Wu was certified as a senior engineer (building and construction specialty) by the senior assessment committee of Hubei Province (湖北省高級評審委員會), the PRC, in October 2006. Prior to joining the Group, Mr. Wu was project manager at Nanjing Housing Construction Corporation (南京市住宅建設總公司), a company engaged in property construction work, from September 1995 to December 1998, during which period he was responsible for overseeing and managing contracted construction work. From January 1999 to May 2000, Mr. Wu was a manager at the construction project department of Shanghai Huaying Construction and Installation Co., Ltd. (上海華英建築安裝有限公司), a company engaged in the provision of property construction and installation services, where he was responsible for overseeing and managing contracted projects. Mr. Wu obtained a certificate for having completed the practical real estate executive training program, organized by Tsinghua University (清華大學), the PRC, in June 2009.

Ms. Li Huifang (李慧芳), aged 35, was appointed as an executive director of the Company on 30 March 2017. Ms. Li joined the Group in April 2008 and was appointed as a vice-president of Shanghai Yupei in January 2017. She is in charge of the day-to-day financial matters of the Company's project companies in the PRC. Prior to her current position, Ms. Li served as the director of the financial department of Shanghai Yupei from February 2015 and as finance manager of Shanghai Yupei from April 2008 to February 2015, responsible for the day-to-day financial matters of Shanghai Yupei. From February 2006 to April 2008, Ms. Li was a finance manager of Shanghai Feiyu International Trading Company Limited (上海飛域國際貿易有限公司) (now known as Shanghai Yingyu International Trading Company Limited (上海盈域國際貿易有限公司), a company engaged in the business of import and export of goods and technology, where she was responsible for the day-to-day financial auditing, tax and bank financing matters of its headquarters and subsidiaries. From May 2003 to February 2006, Ms. Li served as an accountant at Shanghai Yupei Industry Company Limited (上海宇培實業有限公司) (now known as Shanghai Yupei Industry (Group) Company Limited (上海宇培實業(集團)有限公司)), which is engaged in the business of, amongst others, the operation of logistics parks, and was primarily responsible for matters in relation to financial auditing and tax filings. Ms. Li was certified to have attained the intermediate level in accounting by the Ministry of Finance of the PRC in May 2007. Ms. Li passed the Self-taught Higher Education Examinations and obtained a graduation certificate (majoring in accounting) jointly issued by the Shanghai Self-taught Higher Education Examinations Committee (上海市高等教育自學考試委員會) and the Shanghai University of Finance and Economics (上海財經大學), the PRC, in December 2011.

Biographies of the Directors and Senior Management

Mr. Chen Runfu (陳潤福), aged 52, was a non-executive director of the Company from 22 December 2016 before his re-designation as an executive director on 30 March 2017. Mr. Chen is currently the senior vice president of Sino-Ocean Group Holding Limited (遠洋集團控股有限公司) ("**Sino-Ocean Group**", formerly known as Sino-Ocean Land Holdings Limited (遠洋地產控股有限公司), a substantial shareholder of the Company), and also serves as a director or general manager in a number of subsidiaries or project companies of Sino-Ocean Group. Mr. Chen is primarily responsible for Sino-Ocean Group's strategy management, investment management, equity management and brand management. Sino-Ocean Group, through its subsidiaries, is primarily engaged in property development and property investment and is listed on the Main Board of the Stock Exchange (stock code: 3377). Mr. Chen has served over 22 years in Sino-Ocean Group and has extensive experience in property development and property investment. Since joining COSCO Real Estate Development Corporation (中遠房地產開發公司), the predecessor of Sino-Ocean Group, in October 1995, Mr. Chen has held various positions in the company, including the head of the regional development department, the general manager of the client service center, the general manager of the strategic development department, the general manager of the office building business department, and the vice president of the company. He was also an executive director of Sino-Ocean Group from June 2007 to December 2015. Mr. Chen has been appointed as the senior vice president of Sino-Ocean Group since April 2016. Prior to joining Sino-Ocean Group, Mr. Chen worked as an engineer in the Waterborne Transport Planning and Designing Institute under the Ministry of Transport (交通部水運規劃設計院), currently known as China Transport Waterborne Transport Planning and Designing Institute Co., Ltd. (中交水運規劃設計院有限公司), from August 1986 to September 1993. From September 1993 to October 1995, Mr. Chen worked at China Sino-Ocean Shipping (Group) Corporation (中國遠洋運輸(集團)總公司), currently known as China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company engaged in waterborne transport and ocean shipping, where he first served as an investment specialist in the planning division until July 1994, and later as a secretary in the president's office until October 1995. Mr. Chen obtained a bachelor's degree in harbour and channel engineering from Dalian Institute of Technology (大連工學院, currently known as Dalian University of Technology 大連理工大學), PRC, in July 1986. Mr. Chen then obtained an executive master of business administration degree from China Europe International Business School (中歐國際工商學院), PRC, in September 2005.

Non-executive Directors

Mr. Ong Tiong Sin (王忠信), aged 52, was appointed as a non-executive director of the Company on 18 August 2015. Mr. Ong was nominated as a non-executive director by Berkeley Asset Holding Ltd, a subsidiary of RRJ Capital Master Fund II, L.P. (a substantial shareholder of the Company). Mr. Ong is responsible for providing strategic advice and guidance on the business development of the Group. Mr. Ong is the founder, chairman and chief executive officer of RRJ Capital II Ltd, the general partner of RRJ Capital Master Fund. RRJ Capital Master Fund focuses on private equity investments in China and Southeast Asia. Berkeley Asset is a wholly-owned subsidiary of RRJ Capital Master Fund. Previously, Mr. Ong had a 15-year career with Goldman Sachs. Based in Beijing, he was a cohead of the Goldman Sachs Asian ex-Japan investment banking division. Mr. Ong became a managing director in the corporate finance department of a subsidiary of Goldman Sachs in 1996 and a partner in 2000. Prior to his transfer to Beijing, Mr. Ong was the co-president of Goldman Sachs Singapore and had previously worked in investment banking in Hong Kong and New York. Mr. Ong graduated from Cornell University in the United States in June 1986 with a bachelor's degree in science and the University of Chicago in the United States in March 1989 with a master's degree in business administration.

Biographies of the Directors and Senior Management

Mr. Liu Xiangge (劉祥革), aged 50, was appointed as a non-executive director of the Company on 25 April 2014. Mr. Liu was nominated as a non-executive director by Berkeley Asset Holding Ltd, a subsidiary of RRJ Capital Master Fund II, L.P. (a substantial shareholder of the Company). Mr. Liu is responsible for providing strategic advice and guidance on the business development of the Group. Mr. Liu is a managing director and responsible officer of RRJ Management (HK) Limited, a licensed corporation under the SFO permitted to carry out business in Hong Kong in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, as defined under the SFO. RRJ Management (HK) Limited is the sub-adviser to RRJ Capital II Ltd, the general partner of RRJ Capital Master Fund. RRJ Capital Master Fund focuses on private equity investments in China and Southeast Asia. Prior to joining RRJ Management (HK) Limited in May 2011, Mr. Liu was senior vice-president and head of risk management at CIAM Group Limited (事安集團有限公司), an investment management company of CITIC Group Corporation, which he joined in May 2010 and was in charge of overseeing investment operations and portfolio management. From September 2008 to April 2010, Mr. Liu was a managing director at Dingyi Venture Capital (HK) Limited (鼎億資本(香港)投資有限公司), an investment company, and was responsible for overseeing its investment operations. From January 2007 to August 2008, he was a director at Societe Generale Asia Limited, a company engaged in the provision of financial services, and was responsible for supervising project finance and advisory services. Mr. Liu obtained a master's degree in business administration from Boston University in the United States in May 1999.

Mr. Wang Yeyi (王葉毅), aged 46, was appointed as a non-executive director of the Company on 30 March 2017. Mr. Wang is currently an executive director of the Sino-Ocean Group (a substantial shareholder of the Company) since March 2016. Sino-Ocean Group, through its subsidiaries, is primarily engaged in property development and property investment and is listed on the Main Board of the Stock Exchange (stock code: 3377). Mr. Wang is concurrently the administrative director and credit insurance director of Anbang Insurance Group Co., Ltd. (安邦保險集團股份有限公司) ("**Anbang**"), an insurance company, since March 2013. Mr. Wang has extensive experience in banking and insurance. Prior to his current positions, Mr. Wang served various positions at the Zhejiang branch of China Construction Bank (中國建設銀行), a major PRC bank, including the office director of the operations department of the Hangzhou sub-branch from August 1999 to July 2003, the general manager of the Hangzhou corporate client department from July 2003 to December 2003, the general manager of each of the business department and online banking department from August 2007 to December 2008, and the assistant to the president of the Zhejiang branch from December 2008 to 2013. Mr. Wang was granted the qualification of a senior economist by China Construction Bank in September 2002. Mr. Wang graduated from Zhejiang University (浙江大學), the PRC, with a doctorate degree in applied psychology in June 1999.

Ms. Li Qing (李慶), aged 30, was an executive director of the Company since 25 April 2014 before her re-designation as a non-executive director of the Company on 30 March 2017. Ms. Li is also a member of the Remuneration Committee and the Nomination Committee. She has been a vice-president of the Group since 12 November 2013. She joined Shanghai Yupei as vice-president on 1 November 2012 and also serves as director at a number of the Group's subsidiaries. Ms. Li is primarily responsible for the overall management of the administrative, human resources and property management work of the Group. Ms. Li is the daughter of Mr. Li Shifa, chairman of the Board, president of the Group and an executive director of the Company. Ms. Li obtained a bachelor's degree in arts (majoring in Japanese) from Shanghai Normal University (上海師範大學), the PRC, in July 2010, and a master's degree in science (majoring in international management for Japan) from the University of London, the United Kingdom, in December 2012.

Biographies of the Directors and Senior Management

Independent Non-executive Directors

Mr. Guo Jingbin (郭景彬), aged 59, was appointed as an independent non-executive director of the Company on 14 June 2016. He is also the chairman of the Remuneration Committee and a member of each of the audit committee of the Board (the "**Audit Committee**") and the Nomination Committee. Mr. Guo is responsible for supervising and providing independent judgment to the Board. Mr. Guo has over 33 years of experience in the construction industry, specializing in corporate strategic planning, marketing and general and administration management. He has extensive experience in capital markets. Mr. Guo has been an independent non-executive director of City e-Solutions Limited, a company listed on the Main Board of the Stock Exchange (stock code: 557) and engaged in investment holding and the provision of consultancy services, since August 2016; an executive director and chairman of China Conch Venture Holdings Limited (中國海螺創業控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 586) ("**Conch Venture**"), an investment holding company with subsidiaries principally engaged in providing energy preservation and environmental protection solutions, where he is responsible for its overall strategic development since July 2014. He is currently the Chairman of Conch Venture and was a non-executive director of Conch Venture from June 2013 to June 2014. Mr. Guo held various senior managerial positions including the secretary to the board and deputy general manager of Anhui Conch Cement Co., Ltd. (安徽海螺水泥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600585) and the Main Board of the Stock Exchange (stock code: 914) ("**Conch Cement**"), and he was an executive director of Conch Cement from October 1997 to June 2014 and a non-executive director from June 2014 to June 2016. Mr Guo has been a director of Anhui Conch Holdings Co., Ltd. (安徽海螺集團有限責任公司) ("**Anhui Conch**"), an investment company, since January 1997. Mr. Guo obtained a master's degree in business administration from the Chinese Academy of Social Sciences (中國社會科學院), the PRC, in July 1998.

Mr. Fung Ching Simon (馮征), aged 48, was appointed as an independent non-executive director of the Company on 14 June 2016. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Fung is responsible for supervising and providing independent advice to the Board. Mr. Fung has extensive experience in finance and accounting management and he has served as senior officers at a number of companies in the construction and property development industry. Mr. Fung has been an independent non-executive director of Baoye Group Company Limited (寶業集團股份有限公司) ("**Baoye Group**"), a company principally engaged in the provision of construction services, the manufacturing and distribution of building materials and the development and sale of properties, and listed on the Main Board of the Stock Exchange (stock code: 2355), since June 2011. He is also an independent non-executive director of HNA Infrastructure Company Limited (海航基礎股份有限公司), formerly known as Hainan Meilan International Airport Company Limited (海南美蘭國際機場股份有限公司) a company engaged in the aeronautical and non-aeronautical business and listed on the Main Board of the Stock Exchange (stock code: 357), since October 2004. Mr. Fung has been the chief financial officer and the company secretary of Greentown China Holdings Limited (綠城中國控股有限公司), a company engaged in the development for sale of residential properties in the PRC and listed on the Main Board of the Stock Exchange (stock code: 3900), since August 2010. Prior to taking up his current positions, Mr. Fung was the chief financial officer and secretary to the board of directors of Baoye Group from August 2004 to July 2010, during which he was responsible for overseeing financial and accounting matters. From October 1994 to June 2004, he served as operations manager, and senior manager of the assurance and business advisory division at PricewaterhouseCoopers, a certified public accountants firm, where he was involved in office administration and management and in charge of audit and business advisory matters respectively. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. Mr. Fung graduated from the Queensland University of Technology, Australia, with a bachelor's degree in business, majoring in accountancy in February 1993.

Biographies of the Directors and Senior Management

Mr. Wang Tianye（王天也）, aged 58, was appointed as an independent non-executive director of the Company on 14 June 2016. Mr. Wang is also a member of each of the Remuneration Committee and the Nomination Committee. Mr. Wang is responsible for supervising and providing independent judgment to the Board. Mr. Wang has over 23 years of experience in finance and investment and has served various senior management positions at companies in the property development and real estate industry. Mr. Wang re-assumed his position as executive director at Top Spring International Holdings Limited（萊蒙國際集團有限公司）(“**Top Spring**”), a company engaged in property development and listed on the Main Board of the Stock Exchange (stock code: 3688) from October 2015. He had served as an executive director of Top Spring from September 2012 until November 2013, when he left the company to attend to family matters. He is also an independent director of Henan Pinggao Electric Co., Ltd.（河南平高電氣股份有限公司）, a company engaged in high voltage switchgear industry and listed on the Shanghai Stock Exchange (stock code: 600312), since September 2014. Prior to taking up his current positions, Mr. Wang was an executive director and the chief executive officer of Central China Real Estate Limited（建業地產股份有限公司）, a company engaged in property development and listed on the Stock Exchange (stock code: 832), from November 2004 to June 2012, during which he was responsible for formulating development strategies, executing decisions on investment projects and the overall business management of the company. Mr. Wang was recognized as a senior economist by the Bank of China Group in December 1992 and he was admitted as a senior associate of the Australian Institute of Banking and Finance in April 1996. He obtained a master’s degree in applied finance from Macquarie University, Australia, in April 1996.

Mr. Leung Chi Ching Frederick（梁子正）, aged 59, has been an independent non-executive director of the Company since 14 June 2016. Mr. Leung is also a member of each of the Audit Committee and Nomination Committee. Mr. Leung has been an independent non-executive director and the chairman of the audit committee of CGN New Energy Holdings Co., Ltd.（中國廣核新能源控股有限公司）(formerly known as CGN Meiya Power Holdings Co., Ltd.（中國廣核美亞電力控股有限公司）), a company engaged in the operation of power stations and other associated facilities, and listed on the Main Board of the Stock Exchange (stock code: 1811) since September 2014. Mr. Leung has over 34 years of professional and industrial experience in management, corporate governance, corporate finance, banking and accounting. He was previously an executive director, chief financial officer and company secretary of Skyworth Digital Holdings Limited（創維數碼控股有限公司）(“**Skyworth**”), a manufacturer of television sets and listed on the Stock Exchange (stock code: 751). In his almost nine years of services in Skyworth, he was mainly responsible for the company’s successful resumption of trading of its shares and strengthening of its internal controls, accounting system, corporate governance and investor relations management. In 2011 and 2013, Skyworth was awarded by Asia Money as the Best Managed Medium Cap Company in China of 2011 and by Forbes as Asia’s Fabulous 50 of 2013, respectively. Furthermore, Mr. Leung accumulated 14 years’ working experience in Deloitte Touche Tohmatsu. He left Deloitte Touche Tohmatsu in June 1999 as a principal of corporate finance. Mr. Leung obtained a Bachelor Degree of Science in Business Administration (major in Accounting) from the University of The East in the Philippines in November 1981. He became an associate member of the Hong Kong Institute of Certified Public Accountants in April 1997 and has been its fellow member since October 2013. Also, he has been a member of the American Institute of Certified Public Accountants since December 1996. He has been a member of the Hong Kong Securities and Investment Institute since April 1999 and has been its fellow member since April 2015. In addition, he has been a founding member of the Hong Kong Independent Non-Executive Director Association since November 2015.

Biographies of the Directors and Senior Management

Mr. Chen Yaomin (陳耀民), aged 54, was appointed as an independent non-executive director of the Company on 30 March 2017. Mr. Chen is currently a partner at a number of private equity investment firms. He has over 29 years of experience in management and investment. Mr. Chen has been an executive partner of Shanghai Cuizhu Equity Investment Management Center LLP (上海萃竹股權投資管理中心(有限合夥)) since December 2014 and an executive partner of Shanghai Kesheng Venture Capital Center LLP (上海科升創業投資中心(有限合夥)) since December 2010. Mr. Chen has also been an executive partner and an executive director of Shanghai Kesheng Venture Capital Management Co., Ltd. (上海科升創業投資管理有限公司) since November 2010, and the general manager and a non-executive director of Shanghai Kesheng Investment Co., Ltd. (上海科升投資有限公司) since July 2007. Mr. Chen has been the chairman and a non-executive director of Shanghai Chengjia Electronic Technology Co., Ltd. (上海誠佳電子科技有限公司), a company engaged in the manufacture and sale of electronic devices as well as the development of electronic technology, since January 2008.

SENIOR MANAGEMENT

Ms. Shi Lianghua (石亮華), aged 46, joined the Group in September 2011 as senior vice-president of Shanghai Yupei. She was appointed senior vice-president of the Company in November 2013. She is responsible for managing project financing, contracting, planning and design related matters of the Group. Ms. Shi was certified as an engineer by the assessment committee of The Second Navigational Engineering Bureau of CHEC (中港第二航務工程局), the PRC, in August 1998; and was certified to have attained the intermediate qualification level in construction economics by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部), the PRC, in November 1998. She was also certified as National First-Class Registered Architect by the Ministry of Construction of the People's Republic of China (中華人民共和國建設部)), the PRC, in November 2006. Prior to joining the Group, Ms. Shi served various positions including engineer, cost engineer as well as project director at The Second Navigational Engineering Bureau of CHEC (中港第二航務工程局), a state-owned construction company, from August 1991 to September 2000, during which she was responsible for project cost and project management. She joined Shanghai ABC Steel Structure Co., Ltd. (上海美建鋼結構有限公司), a foreign manufacturer of steel structures, as department manager in November 2000 and became executive director in 2005, during which she was involved in overseeing and managing business operations, until April 2007. She then assumed the position of chief officer at the engineering and construction center agency of Shanghai Gaorong Group (上海高榕集團) from May 2007 to August 2011, during which she had overall responsibility for managing and initiating group investment in real estate projects and group infrastructure projects. Ms. Shi obtained a diploma in harbor engineering from Nanjing Harbor Engineering College (南京航務工程專科學校), the PRC, in July 1991; a bachelor's degree in engineering management from Huazhong University of Science and Technology (華中科技大學), the PRC, in July 2000; and a master's degree in business administration from Donghua University (東華大學), the PRC, in December 2008.

Biographies of the Directors and Senior Management

COMPANY SECRETARY

Ms. So Ka Man (蘇嘉敏), aged 43, was appointed as the company secretary on 10 March 2016. Ms. So has over 16 years of experience in the corporate secretarial field and is currently a senior manager at the corporate services division of Tricor Services Limited. Ms. So is also the company secretary of Embry Holdings Limited (安莉芳控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1388), and CAR Inc. (神州租車有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 699). From August 2000 to December 2003, Ms. So worked at Tengis Limited (currently known as Tricor Tengis Limited), and joined Tricor Services Limited in January 2004. Ms. So is a chartered secretary and an associate of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. So obtained a bachelor's degree in arts (accountancy) from the Hong Kong Polytechnic University in November 1996.

The board of directors (the "**Board**") of China Logistics Property Holdings Co., Ltd (the "**Company**") is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the leasing of storage facilities and the related management services in the People's Republic of China (the "**PRC**").

BUSINESS REVIEW

In 2016, the Group completed construction work of 12 logistics parks at locations including Chengdu, Hefei, Tianjin, Jiaxing, Changzhou, Nantong, Huaian, Huizhou, Harbin, Zhaoqing, Suzhou and Wuxi with an aggregate gross floor area ("**GFA**") of approximately 1.1 million square meters ("**sq.m.**"), which is in line with the Company's overall expansion plan for the year. As of 31 December 2016, the Company had 116 logistics facilities in operation in 24 logistics parks, located in logistics hubs in 12 provinces or centrally administered municipalities.

Performance of the Group's Business

As demands from tenants in e-commerce and third-party logistics providers industries continued to increase, the Group expanded its network of logistics facilities to cope with such demand and thereby grew its revenue by 65.9% from RMB163.2 million in 2015 to RMB270.9 million in 2016. The Group's gross profit increased from RMB106.0 million in 2015 to RMB182.0 million in 2016. As of 31 December 2016, the Group recorded a net current assets of RMB1,050.4 million as compared with a net current liabilities of RMB241.6 million recorded as of 31 December 2015.

In addition to the positive operational and financial performances, the Company was successfully listed on the Main Board of the Stock Exchange on 15 July 2016, which marked an important milestone in the Group's strategic development.

Relationship with Tenants

Having consistently delivered high-quality services to its tenants for more than a decade, the Group has forged strong relationships with a large number of top tier domestic and foreign tenants with a variety of industry backgrounds, including e-commerce companies such as JD, Cainiao Network and Benlai, leading third-party logistics providers such as SF Express, Li & Fung and Sinotrans and large-scale retailers, manufacturers and others such as Xiaomi and Bosch.

The Group generates a significant portion of its revenue from its five largest tenants. During the year ended 31 December 2016, revenue generated from the Group's single largest tenant accounted for approximately 31.2% of its total revenue while revenue attributable to its five largest tenants accounted for approximately 53.2% of its total revenue for the same period.

Relationship with Contractors

The Group's largest suppliers are the construction contractors for its logistics parks. As the Group selects contractors on a project basis, it does not rely on any single contractor despite the relatively high contribution of its largest or five largest contractors which accounted for approximately 21.1% and 84.9% to its construction cost incurred during the year ended 31 December 2016, respectively.

Relationship with Employees

Effective talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent through its internal training programs. The Group offers salaries and benefits to its employees that are competitive in each geographic location where the Group conducts business to manage employee attrition.

Environmental Policy

The Group is subject to PRC environmental protection laws, regulations and standards. These laws, regulations and standards govern a broad range of environmental matters, including but not limited to air pollution, noise emissions, water, use of resource and waste discharge. The Group is required to engage qualified agencies to conduct a comprehensive environmental assessment on each of its projects and to submit its environmental impact study report to the PRC government for approval. The PRC government will not grant the Group a construction permit with respect to any property project absent of an acceptable environmental assessment process and full cooperation with accredited environmental assessment organizations.

The Group does not carry out any production activities at its logistics parks, and therefore produces and discharges minimum waste. The Group has also attempted to design its logistics facilities to reduce their impact on the environment and energy costs, and it plans to increase the use of clean and renewable energy and reduce its carbon footprint by installing solar panel on top of its logistics facilities. Construction contractors are also encouraged to use equipment and facilities and to adopt or develop new technologies in order to reduce the impact of the Group's projects on the environment.

Further details of the Group's environmental, social and governance ("**ESG**") matters are set out in the ESG Report on pages 70 to 88 of this annual report.

Licenses, Regulatory Approvals and Compliance Record

The Group had complied with all relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for its operations in China, and there is no substantial legal impediment in renewing any existing licenses, approvals and permits where necessary.

Principal Risks and Uncertainties

Principal risks and uncertainties the Group faces include:

- risks related to the significant upfront capital investment involved in the Group's business;
- uncertainty as to the availability of financing;
- concentration risks related to single asset class and major tenants;
- uncertainty as to fair value changes on the Group's investment properties;
- uncertainty as to the Group's ability to secure suitable locations for new logistics park projects on commercially reasonable terms; and
- uncertainty related to the land use rights for the Group's logistics parks are not perpetual and will expire between 2047 and 2065.

Subsequent Event

No significant event affecting the Group has occurred since 31 December 2016.

Outlook for 2017

In 2017, the Group will continue its effort to achieve its goal of becoming the largest provider of premium logistics facilities in China. In particular, the Group plans to continue to implement the following strategies: (i) strengthen its nationwide network across major logistics hubs, (ii) accelerate its lease-up cycle and optimize its tenant portfolio, (iii) diversify its sources of capital and lower cost of capital, (iv) attract, motivate and cultivate management talent and personnel to support its operations and future expansions, and (v) reduce the environmental impact of its operations.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's financial affairs as of that date are set out in the consolidated financial statements on pages 95 to 222.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to the shareholders of the Company for the year ended 31 December 2016.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2016 are set out in Note 37 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL AND THE PRE-IPO SHARE OPTION SCHEME

Details of the Company's share capital and pre-IPO share option scheme are set out in Notes 14 and 17 to the consolidated financial statements and the paragraph headed "Pre-IPO Share Option Scheme" below, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as of 31 December 2016 are set out in Note 33 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year ended 31 December 2016 amounted to RMB402,000.

FINANCIAL SUMMARY

The Company was listed on the Main Board of the Stock Exchange on 15 July 2016 (the "**Listing Date**"). A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 4 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Company's initial public offering as described in the Prospectus and the issue of shares of the Company (the "**Shares**") pursuant to the partial exercise of the over-allotment option as part of the global offering as described in the announcement of the Company dated 6 August 2016, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2016.

PRE-IPO SHARE OPTION SCHEME

On 10 March 2016, a pre-IPO share option scheme of the Company (the "**Pre-IPO Share Option Scheme**") was approved and adopted by the Board. The purpose of the Pre-IPO Share Option Scheme is a share incentive scheme and is established, amongst other things, to recognize and acknowledge the contributions that certain of the Group's employees have made to the Listing and the Company's development, and to motivate, retain and attract outstanding personnel who will help promote the Company's growth.

The Pre-IPO Share Option Scheme shall be valid and effective for a period from the date of adoption and expiring on the Listing Date, after which period no further options will be granted but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Pre-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.

Participants of the Pre-IPO Share Option Scheme ("**Eligible Participants**" and each an "**Eligible Participant**") include:

(i) senior executives of the Company, including the chief investment officer, chief operating officer, senior vice-president and vice-president; and

(ii) intermediate-level executives or key employees of the Company, including department directors, regional directors and managers.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Pre-IPO Share Option Scheme must not exceed 1% of the Company's total issued share capital as at the Listing Date, being 28,802,990 Shares, which represent approximately 0.98% of the total issued shares of the Company as of the date of this annual report. As of 31 December 2016, options to subscribe for an aggregate of 15,824,000 Shares (representing approximately 0.54% of the total issued share capital of the Company as of the date of this annual report) have been granted by the Company under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date. As of 31 December 2016, none of the options have been exercised or cancelled, nor have lapsed.

Directors' Report

Although there is no maximum entitlement for each Eligible Participant under the rules of the Pre-IPO Share Option Scheme, no Eligible Participant has been granted options exceeding 0.07% of the total issued share capital of the Company as of the Listing Date. The holders of the options granted under the Pre-IPO Share Option Scheme are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme. Subject to any adjustment made in the manner contemplated under the Pre-IPO Share Option Scheme, the exercise price payable upon the exercise of any option granted to each of the grantees (the "**Pre-IPO Options**") shall be an amount representing 50% of the final offer price per Share issued under the initial public offering of the Company, being HK$1.625 per Share.

Subject to the satisfactory performance of certain obligations of the grantees, the Pre-IPO Options shall be vested in accordance with vesting schedule as follows:

1. as to 30% of the aggregate number of Shares underlying the Pre-IPO Options on the first anniversary date of the Listing Date;

2. as to 30% of the aggregate number of Shares underlying the Pre-IPO Options on the second anniversary date of the Listing Date; and

3. as to the remaining 40% of the aggregate number of Shares underlying the Pre-IPO Options on the third anniversary date of the Listing Date.

Accordingly, none of the Pre-IPO Options have been vested and exercisable as of 31 December 2016. Each option granted under the Pre-IPO Share Option Scheme has a five-year option period provided that none of the Pre-IPO Options shall be exercisable prior to the Listing Date.

Details of the outstanding options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2016 are set out below:

Name or category of grantee	Date of grant of share options	Exercise price of share options (HK$ per share)	Exercise period of share options	Number of Shares represented by the outstanding share options as of the Listing Date	**Number of Shares represented by the outstanding share options as of 31 December 2016**
Directors					
Pan Naiyue	21 March 2016	$1.625	From 15 July 2017 to 14 July 2021	633,600	**633,600**
	21 March 2016	$1.625	From 15 July 2018 to 14 July 2021	633,600	**633,600**
	21 March 2016	$1.625	From 15 July 2019 to 14 July 2021	844,800	**844,800**
				2,112,000	**2,112,000**
Sun Limin *(resigned as an executive director on 30 March 2017)*	21 March 2016	$1.625	From 15 July 2017 to 14 July 2021	422,400	**422,400**
	21 March 2016	$1.625	From 15 July 2018 to 14 July 2021	422,400	**422,400**
	21 March 2016	$1.625	From 15 July 2019 to 14 July 2021	563,200	**563,200**
				1,408,000	**1,408,000**
Zhang Long	21 March 2016	$1.625	From 15 July 2017 to 14 July 2021	633,600	**633,600**
	21 March 2016	$1.625	From 15 July 2018 to 14 July 2021	633,600	**633,600**
	21 March 2016	$1.625	From 15 July 2019 to 14 July 2021	844,800	**844,800**
				2,112,000	**2,112,000**
Wu Guolin *(appointed as an executive director on 30 March 2017)*	21 March 2016	$1.625	From 15 July 2017 to 14 July 2021	561,600	**561,600**
	21 March 2016	$1.625	From 15 July 2018 to 14 July 2021	561,600	**561,600**
	21 March 2016	$1.625	From 15 July 2019 to 14 July 2021	748,800	**748,800**
				1,872,000	**1,872,000**
Li Huifang *(appointed as an executive director on 30 March 2017)*	28 March 2016	$1.625	From 15 July 2017 to 14 July 2021	211,200	**211,200**
	28 March 2016	$1.625	From 15 July 2018 to 14 July 2021	211,200	**211,200**
	28 March 2016	$1.625	From 15 July 2019 to 14 July 2021	281,600	**281,600**
				704,000	**704,000**

Name or category of grantee	Date of grant of share options	Exercise price of share options (HK$ per share)	Exercise period of share options	Number of Shares represented by the outstanding share options as of the Listing Date	**Number of Shares represented by the outstanding share options as of 31 December 2016**
Li Qing	28 March 2016	$1.625	From 15 July 2017 to 14 July 2021	561,600	**561,600**
	28 March 2016	$1.625	From 15 July 2018 to 14 July 2021	561,600	**561,600**
	28 March 2016	$1.625	From 15 July 2019 to 14 July 2021	748,800	**748,800**
				1,872,000	**1,872,000**
				10,080,000	**10,080,000**
Members of senior management & other employees of the Group					
In aggregate	21 March 2016	$1.625	From 15 July 2017 to 14 July 2021	1,598,400	**1,598,400**
	21 March 2016	$1.625	From 15 July 2018 to 14 July 2021	1,598,400	**1,598,400**
	21 March 2016	$1.625	From 15 July 2019 to 14 July 2021	2,131,200	**2,131,200**
	28 March 2016	$1.625	From 15 July 2017 to 14 July 2021	124,800	**124,800**
	28 March 2016	$1.625	From 15 July 2018 to 14 July 2021	124,800	**124,800**
	28 March 2016	$1.625	From 15 July 2019 to 14 July 2021	166,400	**166,400**
				5,744,000	**5,744,000**
Total				15,824,000	**15,824,000**

Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the Prospectus.

DIRECTORS

The directors of the Company during the year ended 31 December 2016 (the "**Directors**") and their respective positions were:

Name	Position
Mr. Li Shifa	Chairman of the Board and Executive Director
Mr. Pan Naiyue	Executive Director
Mr. Sun Limin *(resigned on 30 March 2017)*	Executive Director
Mr. Zhang Long	Executive Director
Ms. Li Qing *(re-designated as a non-executive director on 30 March 2017)*	Executive Director
Mr. Ong Tiong Sin	Non-executive Director
Mr. Liu Xiangge	Non-executive Director
Mr. Chen Runfu *(appointed on 22 December 2016 and re-designated as an executive director on 30 March 2017)*	Non-executive Director
Mr. Guo Jingbin	Independent Non-executive Director
Mr. Fung Ching Simon	Independent Non-executive Director
Mr. Wang Tianye	Independent Non-executive Director
Mr. Leung Chi Ching Frederick	Independent Non-executive Director

Mr. Sun Limin has resigned as an executive Director with effect from 30 March 2017. With effect from 30 March 2017, each of Mr. Wu Guolin and Ms. Li Huifang has been appointed as an executive Director; Mr. Wang Yeyi has been appointed as a non-executive Director; and Mr. Chen Yaomin has been appointed as an independent non-executive Director. In addition, Ms. Li Qing has been re-designated from an executive Director to a non-executive Director, and Mr. Chen Runfu has been re-designated from a non-executive Director to an executive Director, with effect from 30 March 2017.

All the current Directors shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The biographical details of the current Directors and senior management of the Company as at the latest practicable date prior to the issue of this annual report are set out in "Biographies of the Directors and Senior Management" in this annual report. Save as disclosed therein, there are no changes in the information which are required to be disclosed by the current Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Li Shifa, Mr. Pan Naiyue and Mr. Zhang Long has entered into a service contract with the Company on 14 June 2016 commencing from even date, while each of Mr. Wu Guolin, Ms. Li Huifang and Mr. Chen Runfu has entered into a service contract with the Company on 29 March 2017 commencing from 30 March 2017. Each of Mr. Ong Tiong Sin, Mr. Liu Xiangge, Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick has signed a letter of appointment with the Company on 14 June 2016 commencing from even date; while each of Mr. Wang Yeyi, Ms. Li Qing and Mr. Chen Yaomin has signed a letter of appointment with the Company on 29 March 2017 commencing from 30 March 2017.

The service contracts with each of the executive Directors and the letters of appointment with each of the non-executive Directors and independent non-executive Directors are each for an initial fixed term of three years and may be terminated in accordance with the respective terms thereof.

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick), and the Company considers such Directors to be independent for the year ended 31 December 2016.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the property lease agreements as more particularly disclosed in the section headed "Continuing Connected Transactions" in this report whereby the executive Director, Mr. Li Shifa, has a material interest in the transactions contemplated under such agreements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director and/or any of his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2016, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

(a) Interests in the shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares/ underlying Shares interested(1)	Approximate percentage of shareholding(2)
Li Shifa	Interest of controlled corporation(3)	785,600,000	26.73%
Zhang Long(4)	Beneficial Owner	2,112,000	0.07%
Pan Naiyue(5)	Beneficial Owner	2,112,000	0.07%
Li Qing(6)	Beneficial Owner	1,872,000	0.06%
Sun Limin(7)	Beneficial Owner	1,408,000	0.05%

Notes:

(1) All interests stated are long positions.

(2) As of 31 December 2016, the Company had 2,938,994,000 issued Shares.

(3) Mr. Li Shifa holds the entire issued share capital of Lee International Investment Management Co., Ltd, which in turn holds 90% interest in Yupei International Investment Management Co., Ltd. Accordingly, Mr. Li Shifa is deemed to be interested in the 785,600,000 Shares held by Yupei International Investment Management Co., Ltd.

(4) Mr. Zhang Long is interested in 2,112,000 options granted to him under the pre-IPO share option scheme of the Company, representing 2,112,000 underlying Shares.

(5) Mr. Pan Naiyue is interested in 2,112,000 options granted to him under the pre-IPO share option scheme of the Company, representing 2,112,000 underlying Shares.

(6) Ms. Li Qing is interested in 1,872,000 options granted to her under the pre-IPO share option scheme of the Company, representing 1,872,000 underlying Shares.

(7) Mr. Sun Limin is interested in 1,408,000 options granted to him under the pre-IPO share option scheme of the Company, representing 1,408,000 underlying Shares. Mr. Sun Limin has resigned as an executive Director with effect from 30 March 2017.

(b) Interest in associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares interested[1]	Approximate percentage of shareholding
Li Shifa	Lee International Investment Management Co., Ltd[2]	Beneficial Owner	50,000	100%
	Yupei International Investment Management Co., Ltd[2]	Interest of controlled corporation and Interest of spouse	50,000	100%

Notes:

(1) All interests stated are long positions.

(2) Mr. Li Shifa holds the entire issued share capital of Lee International Investment Management Co., Ltd, which in turn holds 45,000 shares in Yupei International Investment Management Co., Ltd. The remaining 5,000 shares in Yupei International Investment Management Co., Ltd are held by Ms. Ma Xiaocui, the wife of Mr. Li Shifa. Accordingly, Mr. Li Shifa is deemed to be interested in the 50,000 shares in Yupei International Investment Management Co., Ltd.

Save as disclosed above, as of 31 December 2016, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2016, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of Shares interested[(1)]	Approximate percentage of shareholding[(2)]
Lee International Investment Management Co., Ltd	Interest of controlled corporation[(3)]	785,600,000	26.73%
Yupei International Investment Management Co., Ltd[(3)(4)]	Beneficial owner	785,600,000	26.73%
Ma Xiaocui	Interest of spouse[(5)]	785,600,000	26.73%
RRJ Capital Master Fund II, L.P.	Interest of controlled corporation[(6)]	544,384,000	18.52%
The Carlyle Group L.P.	Interest of controlled corporation[(7)]	286,480,000	9.75%
Carlyle Holdings III GP Management L.L.C.	Interest of controlled corporation[(7)]	286,480,000	9.75%
Carlyle Holdings III GP L.P.	Interest of controlled corporation[(7)]	286,480,000	9.75%
Carlyle Holdings III GP Sub L.L.C.	Interest of controlled corporation[(7)]	286,480,000	9.75%
Carlyle Holdings III L.P.	Interest of controlled corporation[(7)]	286,480,000	9.75%
TC Group Cayman, L.P.	Interest of controlled corporation[(7)]	286,480,000	9.75%
TC Group Cayman Sub, L.P.	Interest of controlled corporation[(7)]	286,480,000	9.75%
Carlyle Asia Real Estate III GP, Ltd.	Interest of controlled corporation[(7)]	286,480,000	9.75%
Seed Coinvestment GP, L.P.	Interest of controlled corporation[(7)]	286,480,000	9.75%
Seed Coinvestment, L.P.	Interest of controlled corporation[(7)]	286,480,000	9.75%
Seed Holding Company I, Limited[(7)]	Beneficial owner	286,480,000	9.75%
Sino-Ocean Group Holding Limited	Interest of controlled corporation[(8)]	287,741,000	9.79%
Shine Wind Development Limited	Interest of controlled corporation[(8)]	287,741,000	9.79%
Faith Ocean International Limited	Interest of controlled corporation[(8)]	287,741,000	9.79%
Sino-Ocean Land (Hong Kong) Limited	Interest of controlled corporation[(8)]	287,741,000	9.79%
Joy Orient Investments Limited[(8)]	Beneficial owner	287,741,000	9.79%

Notes:

(1) All interests stated are long positions.

(2) As of 31 December 2016, the Company had 2,938,994,000 issued Shares.

(3) Mr. Li Shifa holds the entire issued share capital of Lee International Investment Management Co., Ltd, which in turn holds 90% interest in Yupei International Investment Management Co., Ltd. Such interests are also disclosed as the interests of Mr. Li Shifa in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(4) A total of 641,000,000 Shares, out of the 785,600,000 Shares held by Yupei International Investment Management Co., Ltd. have been charged in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as security for a bona fide commercial loan provided to Yupei International Investment Management Co., Ltd. as disclosed in the announcements of the Company dated 28 September 2016 and 5 December 2016. The 641,000,000 Shares charged and held by Yupei International Investment Management Co., Ltd. represent approximately 21.81% of the total issued Shares of the Company as of the date of this annual report.

(5) Ms. Ma Xiaocui is wife of Mr. Li Shifa and is deemed to be interested in the Shares which are interested by Mr. Li Shifa under the SFO.

(6) RRJ Capital Master Fund II, L.P. holds the entire issued share capital of Berkeley Asset Holding Ltd, which holds 531,424,000 Shares. RRJ Capital Master Fund II, L.P. also holds the entire issued share capital of Travis Asset Holding Ltd, which in turn holds the entire issued share capital of Sherlock Asset Holding Ltd, which holds 12,960,000 Shares. Accordingly, RRJ Capital Master Fund II, L.P. is deemed to be interested in the 531,424,000 Shares held by Berkeley Asset Holding Ltd, and each of RRJ Capital Master Fund II, L.P. and Travis Asset Holding Ltd is deemed to be interested in the 12,960,000 Shares held by Sherlock Asset Holding Ltd.

(7) The Carlyle Group L.P. holds the entire issued share capital of Carlyle Holdings III GP Management L.L.C., which in turn holds the entire issued share capital of Carlyle Holdings III GP L.P., which in turn holds the entire issued share capital of Carlyle Holdings III GP Sub L.L.C., which in turn holds the entire issued share capital of Carlyle Holdings III L.P., which in turn holds the entire issued share capital of TC Group Cayman, L.P., which in turn holds the entire issued share capital of TC Group Cayman Sub, L.P., which in turn holds the entire issued share capital of Carlyle Asia Real Estate III GP, Ltd., which in turn holds the entire issued share capital of Seed Coinvestment GP, L.P., which in turn holds the entire issued share capital of Seed Coinvestment, L.P., which then in turn holds 88.62% of the issued share capital of Seed Holding Company I, Limited. Accordingly, each of The Carlyle Group L.P., Carlyle Holdings III GP Management L.L.C., Carlyle Holdings III GP L.P., Carlyle Holdings III GP Sub L.L.C., Carlyle Holdings III L.P., TC Group Cayman, L.P., TC Group Cayman Sub, L.P., Carlyle Asia Real Estate III GP, Ltd., Seed Coinvestment GP, L.P. and Seed Coinvestment, L.P. is deemed to be interested in the 286,480,000 Shares held by Seed Holding Company I, Limited.

(8) Joy Orient Investments Limited is a wholly-owned subsidiary of Sino-Ocean Land (Hong Kong) Limited, which is in turn wholly-owned by Faith Ocean International Limited. Faith Ocean International Limited is a wholly-owned subsidiary of Shine Wind Development Limited, which is in turn wholly-owned by Sino-Ocean Group Holding Limited. Accordingly, each of Sino-Ocean Land (Hong Kong) Limited, Faith Ocean International Limited, Shine Wind Development Limited and Sino-Ocean Group Holding Limited is deemed to be interested in the 287,741,000 Shares held by Joy Orient Investments Limited.

Save as disclosed above, as of 31 December 2016, the Directors or chief executive are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR TENANTS AND CONTRACTORS

During the year ended 31 December 2016, revenue attributable to the Group's five largest tenants accounted for approximately 53.2% of the Group's total revenue in the same period. All of the Group's five largest tenants are independent third parties. None of the Directors, any of their close associates or any shareholders that, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company had any interest in any of the Group's five largest tenants during the year ended 31 December 2016.

During the year ended 31 December 2016, transaction amounts with the Group's five largest contractors accounted for approximately 84.9% of the Group's total construction cost incurred in the same period. All of the Group's five largest contractors are independent third parties. None of the Directors, any of their close associates or any shareholders that, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company had any interest in any of the Group's five largest contractors during the year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's audit, risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "**Articles**"), although there are no restrictions against such rights under the laws in the Cayman Islands.

EMOLUMENT POLICY

The Directors believe that effective talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent through its internal training programs. The remuneration package of the Group's employees includes salary, bonuses and other cash subsidies. In general, the Group determine employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, bonuses and promotion. The Directors believe the salaries and benefits that the Group's employees receive are competitive with market standards in each geographic location where the Group conducts business. In addition, the Company has adopted the Pre-IPO Share Option Scheme which provides incentive to better motivate its employees.

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in Note 27 to the consolidated financial statements.

PUBLIC FLOAT

As of the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who shall retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

DISTRIBUTABLE RESERVES

As of 31 December 2016, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, share option reserves and retained earnings totaling approximately RMB3,873.0 million.

BANK BORROWINGS AND OTHER LOANS

Particulars of bank borrowings and other loans of the Group as of 31 December 2016 are set out in Note 18 to the consolidated financial statements.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as disclosed under the section "Pre-IPO Share Option Scheme" above, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Li Shifa is an executive Director and the ultimate controlling shareholder of Shanghai Yupei Industry (Group) Company Limited（上海宇培實業（集團）有限公司）("**Shanghai Yupei Industry**"). Shanghai Yupei Industry operates the Yupei Shanghai Northwest Logistics Park（宇培上海西北物流園）(the "**Taopu Project**") and the Yupei Shanghai Jiading Logistics Park（宇培上海嘉定物流園）(the "**Huangdu Project**") (the "**Two Retained Warehouse Projects**"). The Taopu Project is located in Taopu Town, Putuo District, Shanghai. It is currently equipped with warehouses and logistics facilities with an aggregate GFA of approximately 47,437 sq.m. The Huangdu Project is located in Huangdu Town, Jiading District, Shanghai. It is currently equipped with warehouses and logistics facilities with an aggregate GFA of approximately 59,393 sq.m. However, the extent of such competition is limited and immaterial to the Group because, among others, the Two Retained Warehouse Projects (i) are situated in different geographical locations from the Group's logistics facilities in Shanghai and are limited to two relatively small areas; and (ii) target different potential tenants given the existing facilities at the Two Retained Warehouse Projects are more suited to cater for traditional logistics services providers and companies such as manufacturers. Further details regarding the Two Retained Warehouse Projects are set out in the Prospectus.

Save as disclosed above, as of the date of this annual report, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Each of Mr. Li Shifa, Lee International Investment Management Co., Ltd, Ms. Ma Xiaocui, Lee Asset Management Co., Ltd, Yupei International Investment Management Co., Ltd (the "**Covenantors**") has entered into a deed of non-competition in favor of the Group on 14 June 2016 (the "**Deed of Non-Competition**"), pursuant to which the Covenantors have jointly and severally and irrevocably undertaken to our Group that, save for the Two Retained Warehouse Projects, he/she/it shall not, and shall procure his/her/its respective close associates (except for any members of the Group) not to, during the restricted period, directly or indirectly (including through nominees), either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business, which competes or is likely to compete, directly or indirectly, with the existing businesses of any member of our Group.

The independent non-executive Directors (being Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick) have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2016. Each of the Covenantors has provided to the Company a written confirmation in respect of his/her/its compliance with the Deed of Non-Competition.

PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the Articles. Such provisions were in force during the year ended 31 December 2016 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 15 July 2016. A total of 1,035,707,000 new ordinary shares with nominal value of US$0.0000625 each of the Company were issued at HK$3.25 per Share for a total of approximately HK$3,366.0 million. In addition, on 10 August 2016, the Company issued an additional 58,695,000 ordinary shares with nominal value of US$0.0000625 each of the Company pursuant to the partial exercise of the over-allotment option under the global offering at HK$3.25 per Share for a total of approximately HK$190.8 million. The Net Proceeds raised by the Company from the global offering (including the partial exercise of the over-allotment option on 6 August 2016), after deducting the underwriting fees and commissions and expenses paid by the Company in relation to the global offering, amounted to an aggregate of approximately HK$3,362.1 million, comprising HK$3,175.4 million raised from the global offering and HK$186.7 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option. Details of the Group's use of proceeds are set out in the section headed "Management Discussion and Analysis — Liquidity and Capital Resources — Cash and cash equivalents" in this annual report.

SECURED NOTES

On 15 July 2016, the Company issued 8% secured notes due 2019. The proceeds from the issuance of the secured notes have been utilized to refinance the Company's existing debts.

Details of secured notes of the Group outstanding during the year are set out in Note 18 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Mr. Li Shifa, an executive Director and a substantial shareholder of the Company, is a connected person of Company under the Listing Rules. Shanghai Yushuo Investment Holdings Co., Ltd. is owned by Mr. Li Shifa as to 90% and is therefore an associate of Mr. Li Shifa and hence a connected person of the Company under the Listing Rules. Shanghai Yupei Industry, Shanghai Yupei Specialty Building Materials Co., Ltd. (上海宇培特種建材有限公司) ("**Shanghai Yupei Specialty Building Materials**"), Shanghai Yupei E-commerce Company Limited (上海宇培電子商務有限公司) ("**Shanghai Yupei E-commerce**"), Shanghai Yupei Construction Engineering Company Limited (上海宇培建設工程有限公司) ("**Shanghai Yupei Construction**") and Shanghai Yupei Express Logistics Company Limited (上海宇培速通物流有限公司) ("**Shanghai Yupei Express Logistics**"), all being subsidiaries of Shanghai Yushuo Investment Holdings Co., Ltd. (together, the "**Yushuo Group**"), are therefore each an associate of Mr. Li Shifa and a connected person of the Company. The following property lease agreements have been entered among members of the Yushuo Group as lessee, on the one hand, and Shanghai Yupei Industry (Group) Company Limited (上海宇培實業(集團)有限公司) ("**Shanghai Yupei**"), Wuhu Yupei Warehousing Company Limited (蕪湖宇培倉儲有限公司) ("**Wuhu Yupei Warehousing**") and Suzhou Yupei Warehousing Company Limited (蘇州宇培倉儲有限公司) ("**Suzhou Yupei Warehousing**"), being members of the Group, as lessor, on the other, which constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The annual cap for each of the property lease agreements for each of the year ended 31 December 2016 and the years ending 2017 and 2018 represents the maximum annual rental (and, where provided under the relevant property lease agreement, the maximum annual property management fee) payable by relevant members of the Yushuo Group under the property lease agreement. None of the annual caps under the property lease agreements has been exceeded for the financial year ended 31 December 2016.

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands)			Actual Transaction Amount (RMB in thousands)
					For the year ended 31 December 2016	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ended 31 December 2016
Shanghai Yupei	Shanghai Yupei Specialty Building Materials	4/F of the office building, a factory building, four dormitory buildings and the first floor of a two-storey factory building located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018	18,154.71	5,632.5	5,801.5	5,975.5	5,498.4
Shanghai Yupei	Shanghai Yupei E-commerce	Offices and warehouses located at part of 1/F, and 3/F of the office building located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018	3,500	1,085.9	1,118.5	1,152.0	1,060.0
Shanghai Yupei	Shanghai Yupei Construction	Offices and warehouses located at part of 2/F, and 5/F and 6/F of the office building located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018	2,500	775.6	798.9	822.9	757.2

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands)			Actual Transaction Amount (RMB in thousands)
					For the year ended 31 December 2016	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ended 31 December 2016
Shanghai Yupei	Shanghai Yupei Express Logistics	(1) Offices and warehouses located at 1/F and part of 2/F of the office building and the second floor of a two-storey factory building (the "**Initial Portion**"); and (2) warehouses located at the second floor of a two-storey factory building (the "**Later Portion**"), all located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018 (1 January 2016 to 31 March 2016 under the Initial Portion and 1 April 2016 to 31 December 2018 under the Later Portion)	(1) 9,428 under the Initial Portion (2) 5,030.33 under the Later Portion	1,901.8	1,607.5	1,655.7	1,864.6
Wuhu Yupei Warehousing	Shanghai Yupei Express Logistics	Offices, warehouses and certain covered area at warehouse number 1, units A, B, C and D located at the intersection of S321 Provincial Road and E'xi Road, Sanshan Economic Development Zone, Wuhu, Anhui Province, the PRC	*Date:* 15 December 2015 *Duration:* 1 January 2016 to 31 December 2018	25,603.90	5,179.0	5,365.7	5,555.5	2,683.5
Suzhou Yupei Warehousing	Shanghai Yupei Express Logistics	Offices, warehouses and certain covered area at warehouse number 1, 1/F, offices at unit A, and units B and C, located at 515 East Cuiwei Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018	10,271.00	3,108.5	3,217.8	3,328.3	2,811.7

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands)			Actual Transaction Amount (RMB in thousands)
					For the year ended 31 December 2016	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ended 31 December 2016
Suzhou Yupei Warehousing	Shanghai Yupei Express Logistics	Six units at a dormitory building with located at 28 Hengxinjing Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	*Date:* 20 December 2015 *Duration:* 1 January 2016 to 31 December 2018	180	36.0	36.0	36.0	35.1

The amounts payable to the Group under the property lease agreements represent the prevailing market rentals of similar office and warehouse spaces, factory buildings and dormitory buildings in neighboring areas based on available property rental market comparables and as negotiated and agreed by the parties on an arm's length basis.

In respect of the abovementioned leasing transactions, the Company has obtained a waiver from the Stock Exchange from strict compliance with the announcement, circular and independent shareholders' approval requirements under Rule 14A.35, 14A.36, 14A.46 and 14A.53(3) of the Listing Rules.

In the opinion of the independent non-executive Directors (being Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick), the continuing connected transactions above were entered into by the Group:

(i) in the ordinary and usual course of its business;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Further, the Board has engaged PricewaterhouseCoopers, the auditor of the Company, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2016 as disclosed above has been provided by the Company to the Stock Exchange.

The transactions contemplated under the aforementioned property lease agreements also constitute related party transactions of the Company under IFRS, details of which are set out in Note 35 to the consolidated financial statements. In respect of these transactions, the Directors have confirmed that the Company was in compliance with the applicable requirements under Chapter 14A of the Listing Rules.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this report.

By order of the Board
Li Shifa
Chairman

Hong Kong, 29 March 2017

Corporate Governance Report

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules since the Listing Date and up to 31 December 2016.

The Board considers that during the period from the Listing Date to 31 December 2016, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2016.

The Company has also adopted the Model Code as the standard of dealings in the Company's securities by the relevant employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Model Code by the employees was noted by the Company.

BOARD OF DIRECTORS

Board Composition

The following chart illustrated the structure and membership of the Board and the Board committees as at 31 December 2016:

Board of Directors

Executive Directors
Mr. Li Shifa, *Chairman of the Board and President*
Mr. Pan Naiyue
Mr. Sun Limin
Mr. Zhang Long
Ms. Li Qing

Non-executive Directors
Mr. Ong Tiong Sin
Mr. Liu Xiangge
Mr. Chen Runfu

Independent Non-executive Directors
Mr. Guo Jingbin
Mr. Fung Ching Simon
Mr. Wang Tianye
Mr. Leung Chi Ching Frederick

Audit Committee

Mr. Fung Ching Simon, *Chairman*
Mr. Guo Jingbin
Mr. Leung Chi Ching Frederick

Remuneration Committee

Mr. Guo Jingbin, *Chairman*
Mr. Li Shifa
Ms. Li Qing
Mr. Fung Ching Simon
Mr. Wang Tianye

Nomination Committee

Mr. Li Shifa, *Chairman*
Ms. Li Qing
Mr. Guo Jingbin
Mr. Wang Tianye
Mr. Leung Chi Ching Frederick

Throughout the period from the Listing Date to 31 December 2016, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Biographies of the Directors and Senior Management" in this annual report.

Chairman and President

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Li Shifa ("**Mr. Li**") is the chairman and president of the Company. With extensive experience in the logistics facilities industry, Mr. Li is responsible for formulating and leading the implementation of the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group and is instrumental to the growth and business expansion of the Group since its establishment in 2000. The Board considers that vesting the roles of chairman and president in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. During the period from the Listing Date to 31 December 2016, the Board comprises five executive Directors (including Mr. Li), three non-executive Directors and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Appointment and Re-election of Directors

The Articles contains provisions on the procedures and process of appointment and removal of directors.

According to the Articles, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director shall be subject to retirement by rotation at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Each Director, including the non-executive Directors, is engaged for a term of three years. They are also subject to re-election in accordance with the provisions of the Articles as mentioned above.

At the forthcoming annual general meeting of the Company, all Directors shall retire in the forthcoming annual general meeting pursuant to the provisions of the Articles stated in the foregoing paragraphs and the willingness of the Directors. All retiring Directors are eligible and willing to be re-elected at the forthcoming annual general meeting. The Board and the Nomination Committee of the Company have made recommendations for their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the retiring Directors as required by the Listing Rules.

Responsibilities and Delegation

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

Throughout the period from the Listing Date to 31 December 2016, the Company has provided reading materials on regulatory update to all its Directors, namely, Mr. Li Shifa, Mr. Pan Naiyue, Mr. Sun Limin, Mr. Zhang Long, Ms. Li Qing, Mr. Ong Tiong Sin, Mr. Liu Xiangge, Mr. Chen Runfu, Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick, for their reference and studying. Besides, the above Directors attended other seminars and training sessions arranged by other professional firms/institutions.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

The attendance records of each Director at the Board and Board Committee meetings of the Company held during the period from the Listing Date to 31 December 2016 are set out in the table below:

	Attendance/Number of Meetings			
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Li Shifa	2/2	—	1/1	1/1
Mr. Pan Naiyue	2/2	—	—	—
Mr. Sun Limin	2/2	—	—	—
Mr. Zhang Long	2/2	—	—	—
Ms. Li Qing	2/2	—	1/1	1/1
Mr. Ong Tiong Sin	2/2	—	—	—
Mr. Liu Xiangge	2/2	—	—	—
Mr. Chen Runfu (Note)	—	—	—	—
Mr. Guo Jingbin	2/2	2/2	1/1	1/1
Mr. Fung Ching Simon	2/2	2/2	1/1	—
Mr. Wang Tianye	2/2	—	1/1	1/1
Mr. Leung Chi Ching Frederick	2/2	2/2	—	1/1

Note: Mr. Chen Runfu was appointed as a non-executive Director on 22 December 2016. Subsequent to his appointment as a non-executive Director, no regular Board meeting was held.

No general meeting was held by the Company during the period from the Listing Date to 31 December 2016.

BOARD COMMITTEES

The Board has established three Board committees, namely, Remuneration Committee, Audit Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website "www.cnlpholdings.com" and on the Stock Exchange's website "www.hkexnews.hk". All the Board committees should report to the Board on their decisions or recommendations made.

Remuneration Committee

The Remuneration Committee currently comprises a total of five members, being three independent non-executive Directors, namely, Mr. Guo Jingbin (Chairman), Mr. Fung Ching Simon and Mr. Wang Tianye; one non-executive Director, namely, Ms. Li Qing (previously an executive Director and was redesignated on 30 March 2017) and one executive Director, namely, Mr. Li Shifa. Accordingly, the majority of the members are independent non-executive directors.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Remuneration Committee are to (i) make recommendations to the Board on the remuneration packages of directors and senior management and the remuneration policy and structure for all directors and senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code was adopted) and (ii) establish transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration.

During the period from the Listing Date to 31 December 2016, the Remuneration Committee has held one meeting, in which the remuneration packages of senior management of the Company were reviewed and relevant recommendations were made to the Board.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management other than Directors (but including Mr. Wu Guolin who has been appointed as an executive Director on 30 March 2017) by band for the year ended 31 December 2016 is set out below:

Remuneration	Number of individuals
Nil to RMB500,000	—
RMB500,001 to RMB1,000,000	2
RMB1,000,001 to RMB1,500,000	—

Details of the remuneration of each of the Directors for the year ended 31 December 2016 are set out in Note 38 to the consolidated financial statements.

Audit Committee

The Audit Committee currently comprises a total of three members, namely, Mr. Fung Ching Simon (Chairman), Mr. Guo Jingbin and Mr. Leung Chi Ching Frederick. All of the members are independent non-executive Directors, with one independent non-executive Director, being Mr. Fung Ching Simon, possessing the appropriate professional qualifications. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditor, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the period from the Listing Date to 31 December 2016, the Audit Committee has held two meetings and performed the following major tasks:

— Review and discussion of the interim financial results and report for the six months ended 30 June 2016;

— Review the Group's continuing connected transactions for the year ended 31 December 2016; and

— Review of the scope of audit work, auditor's fees and terms of engagement for the year ended 31 December 2016.

The external auditor was invited to attend the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

Nomination Committee

The Nomination Committee currently comprises a total of five members, being one executive Director, namely, Mr. Li Shifa (Chairman); three independent non-executive Directors, namely, Mr. Guo Jingbin, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick; and one non-executive Director, namely, Ms. Li Qing (previously an executive Director and was redesignated on 30 March 2017). Accordingly, the majority of the members are independent non-executive directors.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee are to (i) review the Board composition, develop and formulate relevant procedures for the nomination and appointment of directors; (ii) make recommendations to the Board on the rotation, appointment and succession planning of directors; and (iii) assess the independence of independent non-executive directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorship, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the period from the Listing Date to 31 December 2016, the Nomination Committee has held one meeting to consider and recommend to the Board on the appointment of Mr. Chen Runfu as a non-executive Director.

OBSERVANCE OF UNDERTAKING RELATING TO LEASE REGISTRATION

Historically, certain leases of the Group for its logistics facilities, offices and registered address were not been registered and filed with relevant land and real estate administration bureaus in the PRC and prior to the listing of the Company, the Group had enhanced its internal control measures include, among others, (i) establishing a team to communicate and coordinate with tenants and lessors to obtain lease registration, (ii) reporting status of lease registration to the Group's compliance committee on a quarterly basis, (iii) revising lease templates to include cooperation of tenants for lease registration as a contractual obligation to the Group's tenants, and (iv) ensuring existing tenant to sign future leases with such cooperation term upon renewal.

In 2016, the Group has strictly implemented the above internal control policies and measures relating to the lease registration and had strictly complied with and fulfilled the relevant undertakings provided by the Group with respect to the registration of leases for its logistics facilities, offices and registered address as more particularly described in the section headed "Business — Licenses, Regulatory Approvals and Compliance Record — Lease Registration" in the Prospectus. As a result of the Group's dedication in the rectification of non-registration of leases, as of 31 December 2016, 31 leases out of the 70 leases for the Group's logistics facilities (covering GFA of approximately 488,360 sq.m.) had been registered and the Group was in the process of registering the remaining 39 leases. The Group had furthered its effort in rectifying the non-registration of leases after 31 December 2016 and, as of 31 March 2017, 37 leases out of the 81 leases for the Group's logistics facilities (covering GFA of approximately 551,500 sq.m.) had been registered and the Group is in the process of registering the remaining 44 leases and will take all practicable steps to ensure that such leases are registered.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledge its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Company and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress.

The management continuously monitors the assessment of the risk management and internal controls and reports to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems. The Board through the Audit Committee regularly reviews the effectiveness of the risk management and internal control systems of the Company and its subsidiaries.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems constantly. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit findings. The Board has also considered the adequacy of resources, qualifications and experience of staffs of the Company's accounting and financial reporting, internal audit, risk management and other relevant functions, and their training programs and budgets during the year under review. The Board considered that, for the year under review, the risk management and internal control systems of the Company are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures are implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board conducts regular review and assessment of inside information, discusses with the management or authorized persons of the Company about disclosure of inside information, reports to the Board once identified any inside information for dissemination. Inside information disclosure policies are formulated to provide employees with guidelines on report and disseminating inside information, confidentiality and compliance with restrictions on trading.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities for the audit of the consolidated financial statements for the year ended 31 December 2016 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditor in respect of audit services and non-audit services for the year ended 31 December 2016 are analyzed below:

Type of services provided by the external auditor	Fees paid/ payable (RMB'000)
Audit services:	
Audit fees for the year ended 31 December 2016	3,400
Non-audit services:	
Initial public offering	5,394
Tax services and others	1,933
TOTAL:	10,727

COMPANY SECRETARY

Ms. So Ka Man of Tricor Services Limited, external service provider, has been engaged by the Company as its Company Secretary. The primary contact person at the Company, whom Ms. So can contact, is Ms. Li Qing, a non-executive Director (previously an executive Director and was redesignated on 30 March 2017).

During the year, Ms. So has taken no less than 15 hours of relevant professional training to update her skills and knowledge.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

To promote effective communication, the Company's website at "www.cnlpholdings.com" serves as a communication platform for shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company (including requests for putting forward proposals at shareholders' meetings) as follows:

Address:	No. 1000, Xiechun Road, Jiading District, Shanghai (201804)
	(For the attention of the Chairman of the Board)
Fax:	(86 21) 6627 7717
Email:	marketing@yupeigroup.com

The Company continues to enhance communications and relationships with its shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from shareholders and investors are dealt with in an informative and timely manner.

In addition, the general meetings of the Company provide a good opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available to answer questions at the annual general meeting and other shareholders' meetings.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.cnlpholdings.com) and the Stock Exchange after each shareholders' meeting.

Pursuant to the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

The Articles do not provide for specific procedures for shareholders to put forward proposals at shareholders' meeting. Shareholders and investors are encouraged to contact the Company directly in case they wish to submit any proposals to any shareholders' meetings to be convened by the Company. Contact details are set out in the section headed "Communications with Shareholders and Investors" in this corporate governance report.

With respect to the shareholders' right in proposing persons for election as directors, please refer to the procedures available on the website of the Company.

The Company has not made any changes to the Articles since the Listing Date. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

Environmental, Social and Governance Report

ABOUT THIS REPORT

China Logistics Property Holdings Co., Ltd ("**CNLP**", together with its subsidiaries collectively referred to as the "**Group**" or "**We**"), is headquartered in Shanghai and engaged in the rental service of high-quality logistics facilities in the People's Republic of China ("**PRC**"). It has a number of logistics parks across the country, and has established solid relationships with many domestic and foreign top tenants.

This is our first Environment, Society and Governance ("**ESG**") report. Unless otherwise specified, this report covers a period from 1 January 2016 to 31 December 2016, with the scope mainly covering the management policies, strategies and performance in respect of the sustainable development of our Shanghai, Beijing and Hong Kong offices and the logistics park projects we operate or possess. When preparing this report, we have complied with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and disclosed the sustainable development performance of important and relevant aspects of the Guide during the reporting period.

As a socially responsible corporate citizen, we are committed to integrating the management policies and strategies of sustainable development into all aspects of our operations. We welcome opinions and advices from the public on this report and our performance of sustainable development. Please send your opinions to admin.yp@yupeigroup.com.

ABOUT CNLP

The Group is a leading provider of premium logistics facilities in China, focusing on providing high quality logistics facility leasing and property management services to the clients from the PRC market, and the Group was listed in the Hong Kong Stock Exchange in July 2016. As of 31 December 2016 the Group had 116 logistics facilities in operation in 24 logistics parks, located in logistics hubs in 12 provinces or centrally administered municipalities in China, and four logistics parks under development, together with a total GFA of approximately 2.5 million square meters. The Group has established strong relationships with a large number of top tier domestic and foreign tenants, including advanced e-commerce companies like JD, Cainiao Network and Benlai, leading third-party logistics providers such as S.F. Express, Li & Fung and Sinotrans, and large-scale retailers, manufacturers and others such as Xiaomi and Bosch.

Corporate Culture

Vision + Mission + Core Value + Enterprise Spirit

Vision

- Committed to be an outstanding supplier and service provider of logistics supply chain integration solutions

Mission

- Develop and make progress to maximize returns to our shareholders
- Innovate constantly to provide our customers with the premium service experiences
- Share our growth to offer our employees with the optimal career platform
- Serve the public and make contribution to the society to fulfill the most positive public responsibilities

Core Value

- Adhere to the principle of striving, effectiveness, open, innovation and win-win

Enterprise Spirit

- Ceaseless self-improvement, broad-mindedness
- Learning and innovation, practicality and cooperation

STAKEHOLDERS' PARTICIPATION

The Group attaches great importance to interaction with our principal stakeholders such as employees, investors and shareholders, tenants, the government, suppliers and communities, and is committed to fully understanding the main requirements of our stakeholders in environment, society and governance aspects and providing them with related transparent information. We are acknowledged that stakeholders' participation is one of the main driving forces for our sustainable improvement in terms of the environment, society and governance performance. We proactively communicate with different groups of the stakeholders regarding the major impact of our business upon the environment, society and governance through various channels, collect their opinions and better meet their expectations. We have made statements regarding the important issues concerned by each group of stakeholders in accordance with the ESG Guide in Appendix 27 to the Listing Rules of the Hong Kong Stock Exchange.

COMMITMENT TO SUSTAINABLE DEVELOPMENT AND OPERATION

As a leading provider of premium logistics facilities in China, sustainable development is always an objective the Group has been seeking to achieve. We believe that taking adequate and effective measures to fully carry out the environmental, social and governance requirements is the necessary requirement for the Group to improve its sustainable development capability. As a socially responsible corporate citizen, we are committed to integrating the management policies and strategies of sustainable development into all aspects of our operations. We believe that along with increasingly emphasizing environmental responsibility, social responsibility and governance responsibility of the enterprises, the constant optimization of our environmental, social and governance work will further strengthen the Group's competitiveness in the industry.

We are committed to developing premium logistics facilities whilst reducing the impacts of our operations on the environment. The development and operation of our warehousing facilities is in line with the standards of the International Standard Organization (ISO 9001: 2008). We strictly abide by local and international environmental protection laws, regulations, norms and standards, and regard environmental management as an important part of corporate governance.

In view of logistics park development, in the project setting stage, we prepare the environmental impact assessment report based on the applicable requirements, analyze potential environmental impact of the projects, assess the feasibility of those projects and the pollution related matters, and design and implement the corresponding improvement measures. During the construction period, we strictly comply with the environmental protection management system established for construction site, monitor potential environmental impact of construction site in respect of preventing dust, noise and water pollution, protect the surrounding ecological environment and minimize the impact on the environment.

Meanwhile, we also attach great importance to reducing environmental impact of the operation of our logistics parks. In hardware aspect, we proactively explore feasible energy efficiency upgrading solution on the basis of the electromechanical system of existing facilities, further reduce emissions and waste, and strive to build green logistics facilities. In software aspect, we have established internal "Asset Management Guidance Manual", requiring all employees to strictly follow the environmental management system and protect green areas in logistics parks. We also cooperate with external environmental consultant to further optimize the current waste management and establish more systematic estimation scheme of waste production. In addition, we actively strengthen the education of our employees in terms of resources use and waste management, and enhance their environmental protection awareness.

Logistics Park Development

As a leading provider of premium logistics facilities in China, the Group has been adhering to its long-term commitment to promoting sustainable development of the warehousing and storage business and creating green warehousing and storage system with less pollution, less cargo loss and lower transportation cost. We choose easily accessible locations with well-established transportation infrastructure to build our new logistics parks so as to facilitate goods delivery and avoid high cost and environmental impact resulted from long-distance transportation. Furthermore, our logistics parks are equipped with proprietary logistics facility design to maximize our tenants' operational efficiency. The logistics management system of our Group is highly praised and recognized by various certification bodies.

质量管理体系认证证书

证书编号：00116Q25943R2M/3100

兹证明

上海宇培（集团）有限公司

注册地址：中国上海市闵行区吴中路2608号

经营地址：中国上海市普陀区金昌路2500号

建立的质量管理体系符合标准：

ISO9001:2008 GB/T19001-2008

通过认证范围如下：

中国质量认证中心

中国·北京·南四环西路188号9区 100070

http://www.cqc.com.cn

Q 0023130

IQNet

THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and
CQC
hereby certify that the organization

Shanghai Yupei Group Co., Ltd.

Registered Address: No.2608, Wuzhong Road, Minhang, Shanghai, China
Operation Address: No.2500, Jinchang Road, Putuo, Shanghai, China

For the following field of activities

Development and Operation of Warehouse

Has implemented and maintains a
Management System
Which fulfils the requirements of the following standard

ISO9001:2008

Issued on: June 30, 2016

Validity date: July 17, 2019

Registration Number: 00116Q25943R2M/3100

Michael Drechsel
President of IQNet

Wang Kejiao
President of CQC

Awards received for the warehousing facilities management system of our Group

In addition, the Group intends to introduce different environmental elements into the design and development of logistics parks projects, and increase the usage of clean and renewable energy sources, thereby to reduce the carbon footprint and fulfill the long-term goal of energy efficiency and low emission. The environmental design integrated into the development of logistics parks includes:

- Installing photovoltaic panels on logistics facilities to bear partial power supply for logistics parks. Solar energy as a renewable energy with zero-pollution and zero-emission, is applicable for partial lighting supply and/or water heating system in the logistics parks.

- Selecting hydrophobicity materials for flooring purpose to depress surface runoff and reduce the urban heat island effect.

- Adopting recycling materials to reduce the consumption of raw materials.

- Adopting rapidly renewable materials to mitigate the damages to the ecological environment probably incurred by raw materials logging.

Project Environmental Impact Analysis

We incorporate environmental impact analysis of our construction projects into our project development feasibility study, i.e., carry out field visit before construction, study the natural environment and environmental quality of construction sites (including environment, hydrology, sound, ecosystem, biodiversity, etc.), deeply analyze all potential environmental pollution and ecological damage probably incurred by project construction, and assess the feasibility of project construction. During the construction period, we require and supervise contractor’s strict implementation of the environmental protection management system established for our construction site and ensure to protect the local original ecological environment from major damage that may cause by the proposed construction projects. All of work involving in environmental impact assessment shall be performed in accordance with the relevant environmental protection laws and regulations such as the Environmental Protection Law of the PRC, the Environmental Impact Assessment Law of PRC and etc., as well as the related environmental protection laws and regulations and other policies/rules issued by local environment protection bureaus or departments where our projects are located, to ensure that our construction projects are in line with all national and regional environment protection regulations and rules.

Environmental Protection of Construction Site

We highly value the environmental performance of our contractors, and hence we require all contractors to strictly implement the relevant environmental protection measures in the construction process.

We require all construction projects to strictly implement improvement measures formulated in the environmental impact assessment report and the " Environmental Protection Measures at Construction Site", to regularly inspect and review the implementation and to ensure that the relevant improvement measures are effective to reduce potential environmental impact brought by the construction work. All of our development projects strictly observe "Three Simultaneities" principle formulated in the PRC Environmental Protection Law, i.e., the facilities for prevention and control of environmental pollution shall be designed, constructed and put into operation and use simultaneously with the main part of the construction project, and shall not be dismantled or left idle without authorization. "The Environmental Protection Measures at Construction Sites" will be posted at construction sites to remind all employees to comply with the relevant measures with respect to the reduction of air pollution, water pollution, noise pollution, land pollution, and others. The head of construction project also regularly provide construction workers with environmental protection education and advocate water conservation, energy conservation and vegetation protection.

All the waste gas and sewage produced during construction period must be processed to meet the regulatory safety level before emission. The emission reduction processing equipments at construction sites shall be periodically inspected to ensure its pollution protection and control efficiency. All environmental quality test results of the construction project, such as dust, construction noise, waste disposal and so on, shall be properly recorded for reviewing the environmental protection performance, and for developing more effective improvement measures in future by making comparison with the environmental impact assessment report.

During the reporting period, we are not aware of any material environmental damage incurred in construction process or any violation of the relevant environmental protection laws, regulations and other provisions.

Environmental Protection Measures in Development and Construction of the Logistics Parks

Measures to Prevent and Control Atmospheric Pollution

Due to the nature of our business, the construction of logistics parks might cause certain pollution to the surrounding air, thus we require our contractors to comply with the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Integrated Emission Standard of Air Pollutants and other environmental protection laws, regulations and provisions in construction. The construction units adopt a series of measures to control raised dust matters arising from construction work, e.g., installing enclosed fences and dustproof meshes around construction sites; adopting enclosed carriers, folding tarpaulins, washing vehicle bodies and tires for the transportation vehicles in and out of sites for materials and wastes; timely spraying water to keep dust from circulating when operating construction activities like excavation, burying, crushing and so on..

Noise Management Measures

We strictly comply with the Law of the PRC on Prevention and Control of Pollution from Environmental Noise, and implement the related standards to manage noises during the period of logistics park construction and operation in accordance with provisions of Emission Standard of Environmental Noise for Boundary of Construction Site and Emission Standard for Industrial Enterprises Noise at Boundary respectively. The noise sources in the parks mainly come from construction machinery and vehicles, and the corresponding measures include: 1. reasonably planning construction time, shortening night construction time and reducing impact on noise-sensitive targets including schools and hospitals; 2. in accordance with “Notice on Strengthening the Supervision and Administration of Environmental Noise Pollution during National College Entrance Examination”, banning construction works generating excessive emission of noise pollution or impairing people within the period of 15 days before and during high school and college entrance examinations; 3. properly maintaining the equipments and not utilizing the equipments over noise emission limits, whilst for equipments in operation providing noise elimination devices, monitoring noise emission level and keeping the noise level within the limits set by the national “Environmental Quality Standard for Noise” or other local noise emission standards; Stopping construction work immediately whenever its noise emission over the above-mentioned national and local limits, and penalizing the violators if maliciously making noises.

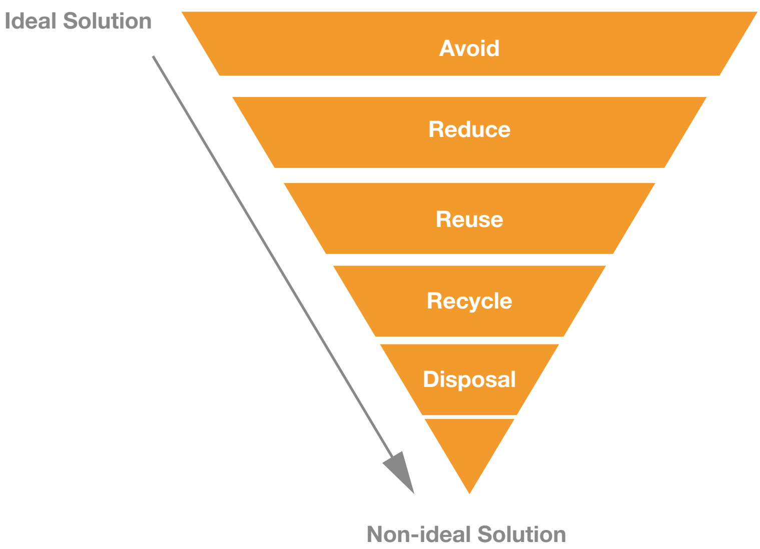
Wastewater disposal and water saving measures

The wastewater produced during the construction period mainly includes sanitary sewage and construction water. Sanitary sewage is not allowed for free emission and is processed by site wastewater treatment stations before used for watering plant or washing roads. The processing of wastewater and malodorous gas shall meet the standards in the “Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant” and “the Reuse of Urban Recycling Water – Water Quality Standard for Urban Miscellaneous Water Consumption”. The treated water is used as much as possible for construction purpose such as watering and lowering dust, and washing vehicles, etc.

Waste management measures

The way of managing solid wastes incurred in the construction of logistics park is totally in accordance with the “Standard for Pollution on the Storage and Disposal Site for General Industrial Solid Waste” and its amendments. Pursuant to 1A3R (Avoid, Reduce, Reuse, Recycle) principles, we encourage waste reduction from its sources and classification of recycling. Our solid wastes incurred in the construction are mainly classified into household garbage, construction waste and earthworks. We provide sorting and collection bins at construction sites to collect recycling parts such as construction papers, waste steel and so on as much as we can, and later arrange recognized recycling companies to handle. Excess earthworks and construction materials are used for site-backfilling and the rest parts that cannot be recycled or reused once collected are carried forward to the Sanitation Departments for central treatment, to ensure they are properly disposed and avoid secondary pollution to the surrounding environment.

The Inverted Pyramid of Waste Handling



Energy Saving and Low-Carbon Measures

In light of the electromechanical system in our logistics parks, we tend to select the energy-efficient construction machines and power-saving systems, such as applying energy-conservative lamps and lanterns, local lighting and/or air-conditioning control. Furthermore, any construction equipment, lighting and power of air-conditioning not in use must be switched off.

Logistics Park Operation and Office Management

Measures to Prevent and Control Air Pollution

We apply zero-emission electric forklifts as much as possible, encourage employees to take public transit and reduce the emissions of transportation fuel.

Water Saving Measures

We provide employee training when appropriate and post water saving tips in our office with the aim to change our employees' behaviors and habits and improve their awareness of water conservation. Besides, by adhering to the "User/Polluter Pays" principle, we charge our logistics park tenants as per the amount of water recorded by their separate water meters and encourage them to save water.

Waste Management Measures

We set up recycling bins in the office and mark with clear instructions to remind our employees to save paper and advocate double-sided printing and paper recycling. In addition to encouraging the staff to save paper, we periodically provide various waste reduction guidelines to all tenants and procure them to properly utilize our recycling facilities.

Energy Saving and Low-Carbon Measures

The Group has developed various solutions for energy saving and emission reduction, with a view to achieving the target of low consumption, high efficiency and low emissions. Apart from employee training and environmental protection reminder in the office, the logistics parks under the Group gradually introduce the solutions for renewable energy use. Our Jiaxing Yupei Logistics Park, newly built in 2016, has installed solar photovoltaic panels to provide partial power supply, reduce the demand for fossil fuel and thus mitigate environmental pollution. We expect that more logistics parks will introduce the use of renewable energy in the future.

The Park installed photovoltaic panels on the roofs to bear partial power supply. Jiaxing Yupei Logistics Park was completed in August 2016, and it is expected to save the electricity of 39,630 kilowatts after put into operation.

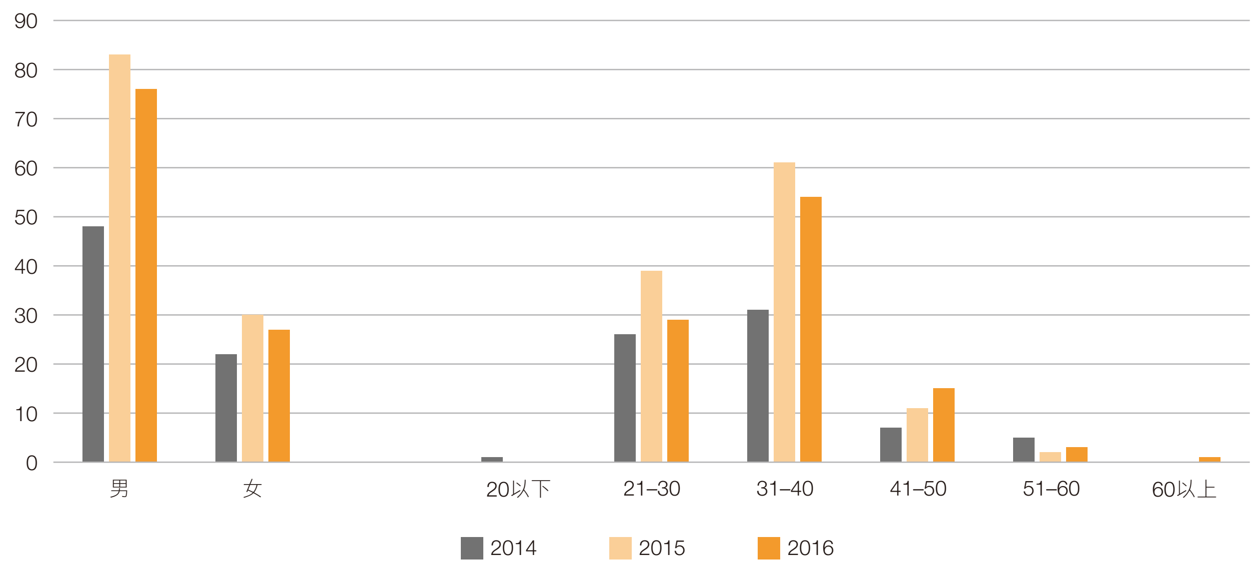
OUR EMPLOYEES

The Group regards employees as its most valuable "assets", as they are not only the pillar to help the Group achieve its mission and promote its business strategies, but also the key to achieve quality assurance. By adhering to the concept of "sharing our achievements with employees", the Group is committed to jointly creating and sharing value with our employees to achieve win-win situation. We endeavour to become a preferred employer and highly emphasize the human resource management, in order to attract, cultivate and retain the talents. We strive to create a safe, fair, anti-discriminative, diversified and harmonious working environment and offer the employees with good career prospect, training opportunities, competitive compensations and benefits.

Recruiting talents

"Capacity, virtue's source; Virtue, Capacity's captain". The Group sets up its recruitment criteria with the philosophy of "Virtue Plus Capacity but Virtue Before Capacity ". In order to establish a diversified and dedicated elite team, we assess the competency, experience and qualifications of the candidates in the recruitment process, and conduct background check on the admitted applicants after interview, to ensure that the selection process is fair and impartial. As of 31 December 2016, the Group had a total of 104 employees, including 75 male employees and 29 female employees.

Employees distribution by gender and age (2014–2016)



Remuneration and Benefits

We are committed to providing employees with competitive package of compensation, benefits and guarantee, and creating a diversified and comfortable working environment with equal opportunities to retain talents. We strictly abide by the Labour Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China to provide employees with five insurances and one housing fund, including pension insurance, medical insurance, unemployment insurance, maternity insurance, employment injury insurance and housing fund. In addition, we have established a comprehensive performance review system as the basis for employees' annual rewards, promotion and salary adjustment. Every year the Group also votes for and rewards employees and units with outstanding employee award, special contribution award and best team award. The policies relating to the remuneration and employment, working hours, holidays and other aspects have been clearly stated in the "Employee Manual" and "2016 Management Policies and Procedures Collection" of the Company.

2016 Recognition of Excellence

2016 Mid-year Meeting

The Group offers employees with comprehensive welfare to help employees maintain a balance between work and life. The Group usually organizes employees travelling at least once a year to promote communication and relationships among employees; the Group also regularly organizes ball games to motivate employees to take up sports; it also gives holiday gifts to employees, such as during the Dragon Boat Festival, the Mid-Autumn Festival and etc.; the Group will hold middle-year and year-end meetings separately to summarize half-year or whole-year working performance and reward the outstanding employees.

Equal opportunities and respect for human rights

The Group believes that it is important to provide equal opportunities for employees on the basis of the principle of fairness and impartiality, and the employees will not be treated differently because of age, gender, marital status, race, religion, nationality and other factors. In addition, the Group adopts zero-tolerance attitude against gender, race and disability discrimination and harassment at workplace.

On the basis of strictly abiding by the Labor Law of the PRC, the Group has established reasonable employment rules to eliminate child labor and forced labor. The Group does not encourage employees to work overtime, "the Group's 2016 Management Policies and Procedures Collection" clearly stipulates that overtimes need to be applied for prior approval, and employees who work overtime will enjoy the same period of leave later. During the reporting period, the Group was not aware of any circumstances of using child labor or forced labor.

Training and Development

We understand that constant progress is critical to the success of companies. By adhering to the concept of "helping employees grow with the company", we are committed to motivating employees' potential through a series of training programs. We provide induction training for newly recruited employees to keep them informed of the Group's history, status and related management policies. For the in-service employees, we also expect that they will constantly make progress and fully exert their strengths and expertise. We have organized a wide range of training courses to meet the demand for different professional knowledge and skills by our business operations.

During the reporting period, the Group has provided employees with a variety of training courses, including:

- HOLA sharing system training
- Compliance management training
- Archives management training
- Equipments and systems management in logistics parks
- Training on finance, HR and administrative system
- Knowledge on building structure and maintenance and management of the facilities in logistics parks
- Construction management training and observational learning
- Training on Governance Regulations by the Stock Exchange (updated Corporate Governance Code and ESG Report)
- Firefighting knowledge and safety training
- OA basic content training and Q&A
- Current economic situation and opportunities for private economy development
- PWC International Financial Reporting Standards (IFRS) training

Since the logistics employees play an important role in the safety management of logistics parks, the Group has hired instructors to provide training to logistics employees. The training courses mainly include:

- Management and maintenance of power supply system (including generator set)
- Management and maintenance of water supply and drainage system
- Management and maintenance of fire-fighting system
- Management and maintenance of light-current system
- Management and maintenance of lifting doors, electric rolling shutters, hydraulic lifting platforms
- Management and maintenance of air conditioning and ventilation system
- Management and maintenance of public facilities and equipments
- Emergency failure handling of facilities and equipments

Health and Safety

Health and safety has been a matter of our great concern, and the Group is committed to providing employees with a safe and healthy working environment. Every year we carry out fire prevention knowledge and safety trainings, and help employees improve their awareness of fire prevention through fire case analysis, expounding fire extinguishing methods and application methods of emergency tools; the Group also provide employees with annual physical examination to ensure that employees have good physical condition; in the office, we will conduct inspection and cleaning every two to three hours to keep the working environment hygienic and comfortable.

During the reporting period, the Group has completed the construction of several logistics parks and highly emphasized the construction safety. Prior to the commencement of construction, we usually apply for supervision registration of construction safety to the relevant safety supervision authorities. During construction period, the Group dispatches supervisory staff to carry out regular inspection on all aspects of construction and requires the construction contractor to comply with the Construction Site Safety Management System, the Safety Inspection System, the Technical Disclosure System for Safety Technologies, the Pre-shift Safety Activity System, the Safety Watch System, the Implementing Regulations on Safety Production Reward and Punishment System, the Construction Electricity Management Responsibility System, the Construction Electricity Safety and Fire Preventions System, the Technical Disclosure for Construction Electricity Safety, the Inspection and Maintenance System for Construction Electricity, the Technical Disclosure for Formwork Engineering Installation and Demolition Safety, the Stacking Requirements on Construction Formwork Materials, the Construction Machinery Protection Measures, and the Construction Machinery Inspection and Maintenance System, always adhering to the principle of safety.

After the completion of logistics parks, the Group has also adopted a series of safety measures and clearly included them in the Asset Management Guidance Manual to ensure the safety in the logistics parks, including:

- Open fire is prohibited in the logistics parks
- Security patrol 24 hours a day
- Each park is equipped with fire extinguishers and protective clothes
- Registering personnel going in and out of parks 24 hours a day
- Monitoring the situation in fire monitoring room 24 hours a day
- inflammable, explosive, highly toxic and other hazardous goods are prohibited to carry into the logistics parks

Our Suppliers

During the reporting period, the suppliers under the supply chain network of the Group mainly provide products or services such as construction contracting service, goods and materials required for daily maintenance and administrative management of the logistics parks. Our logistics park projects, service quality and reputation affected by cooperation with our suppliers; therefore we have embedded sustainability consideration into setting up long-term and beneficial business relationships with our suppliers. The Group has been committed to adopting the best environmental and social practices while expecting our business partners to adhere to the same concept, treat employees fairly, protect the environment and observe the code of disciplines. We have developed the Code of Conduct for Suppliers with respect to environmental protection, health and safety, ethical behavior, laws and regulations and other aspects, in which we set out the basic requirements for our business partners, and our suppliers are required to sign and accept the Code of Conduct for Suppliers with a view to making a positive impact on the supply chain.

We select qualified contractors for our construction projects through rigorous bidding process, i.e. we will set up a tendering and bidding committee, consisting of the heads of relevant departments and leaders with specific duties, which is responsible for conducting a preliminary review over all bidders' qualifications and performing on-site investigation on the bidders with whom we did not cooperate before and reviewing the projects that they previously completed, to ensure only qualified bidders are selected. Subsequently, the committee will vote for the bidding winners according to the commercial, technical and other selection criteria stipulated in the bidding documents. After obtaining the Construction Planning Permit, we will sign a construction contract with the winning contractor, which contains the main terms including scope of works, material use and supply, construction schedule, fees and other payment terms, quality guarantee and time limit for a project; Meanwhile, we require that all contractors shall conform to the Work Safety Law of the People's Republic of China and other relevant laws and regulations; during the construction period, the contractors shall take construction site safety protection and control measures in accordance with the requirements of the protection system, and comply with the national labor safety and hygiene standards. All of the general contractors and the subcontractors shall observe the corresponding safety protection measures, and purchase personal accident insurance for all construction workers. The above requirements shall be expressly specified in the contract signed with the contractor. During the construction period, our Project Management Department will closely monitor and track the construction process according to the requirements of the contract. After the completion of project, we will set up a cross-sector review committee to carry out follow-up assessment of the contractor and analyze its construction progress, quality and costs and perform rating for the contractor. For the contractor fails to meet our requirements, we will recommend corresponding improvements, and cancel its qualification for tendering if not taking actions. In this way we continuously optimize the quality of qualified contractors.

The goods and materials required for daily maintenance and administrative management of each logistics park are provided by qualified suppliers. We comply with strict qualified supply access rules, and the Purchasing Department, together with other related departments, adequately assess and score suppliers' qualifications, production conditions, quality control systems, after-sales service systems, price reasonableness and so on, according to material and information verification and on-site examination results. Qualified suppliers will be included in the List of Qualified Suppliers. We will conduct the performance review periodically for our suppliers in accordance with the Performance Review Policies for Suppliers and manage our suppliers in a dynamical way. When purchasing materials, we strictly implement "three quotation" procedures and sign contracts with suppliers to specify both parties' rights and obligations. The Group conducts suppliers' performance review in the period from early November to the end of December each year, and updates the List of Qualified Suppliers in the period from early December to the end of February of next year.

Product Responsibility

We are always committed to providing high-quality services to our tenants. In the project development phase, we will closely communicate with our existing and potential tenants. Whenever needed, we provide tailor-made integrated value-adding solutions based upon our tenants' needs and wants whilst adhered to high-lever safety, safeguarding and environmental protection requirements.

We firmly believe that the "honest and faithful" principle is a vital condition for the long-term development of the Group, therefore when producing and installing advertising signs, we strictly conform to the national laws, regulations and other provisions: 1. In the production of advertising signs, we firmly comply with the Advertising Law of the People's Republic of China, avoid spreading false and fake information and accurately, clearly and truthfully present our service content, forms, quality, prices, promises and so on; when designing ad labels, we also abide by the Copyright Law of PRC to prevent infringement of the intellectual property rights of others; 2. When designing advertising signs, we also rigorously observe the Copyright Law of the People's Republic of China to prevent prejudicing other people or organizations' intellectual property rights. 3. For advertising release, we strictly abide by "Provisions on the Registration Administration of Outdoor Advertisements" and "Regulations on the Administration of City Appearance and Sanitation", and apply for registration and approval according to the laws.

Quality Control

We understand that quality control is the key to meet the tenants' requirements. Our logistics facilities are strategically located with the convenient transportation and well-established traffic facilities such as highways, railways, ports and airports. These facilities are strictly complies with high-quality logistics facilities design specifications such as carrying capacity, area size, structure, fire prevention, and safety measures. The Group has established the Project Development and Construction Management System to ensure the construction quality of our logistics park projects. The Group requires all construction contractors must strictly observe the construction drawings and plans. We also assign quality inspectors to construction sites to regularly inspect and monitor all aspects of construction works. In addition, the Group requires that quality inspectors, together with project managers and construction engineers, submit inspection reports on a regular basis. Our construction management and engineering department of the Headquarter of our Group randomly conduct sampling check against the construction work of logistics park projects.

Customer Service

It is our core task to provide high quality and excellent customer services to the tenants. The Group has been maintaining long-term and good cooperative relationships with tenants. We not only provide project construction and leasing service, but also offer property management service, 7 days a week, 24 hours a day, to support tenants' operation. Property managers are assigned to logistics parks for collection of tenants' feedbacks and making rapid response.

We regularly visit our customers and provide them with the customer service reports for filling their opinions or complaint content, grading of satisfaction and handling results. The Group's internal policies and procedures require that any complaint or questioning from customers once received must be handled with immediately, i.e., property managers need to collect relevant information and timely report to concerned departments, start investigating immediately, take corresponding measures within one working day and communicate with complainants in a timely manner. Major complaints that the property management office is unable to resolve will be reported to the Headquarter timely. The direct responsible person shall revisit customers to understand their comments upon handling results. All complaints shall be recorded in "Customer Complaint Handling Form". We strive to provide excellent customer services, consider cautiously the customers' opinions and continuously improve our services.

Park Safety and Security

The Group explicitly prohibits the storage of inflammable, toxic and corrosive hazardous goods and harmful articles inside and outside warehouses specified in our "Logistics Park Management and Operation Manual". The tenants also shall not discharge toxic gases outward and shall avoid excessive noise and vibration to ensure the safety in the park. All tenants shall perform their duties and obligations in accordance with the lease contract, the property management contract, and the tenants' manual. In order to improve employees' ability of reactions to emergencies or accidents in a timely and appropriate manner and to ensure the safety of lives and properties of tenants in our parks, the Group has developed a series of contingency plans including but not limited to Handling Plan for Public Order Incident, Handling Plan for Dangerous Goods Leakage, Contingency Plan for Fire Accident, Contingency Plan for Traffic Accident, and Handling Plan for Public Health Accidents, and conducted regular exercises according to the applicable laws and regulations.

The parks have established a 24-hour security inspection system, and the security guards conduct patrols in strict accordance with the established patrol routes and time to ensure the safety and security of parks. Meanwhile, the parks have implemented registration system to record personnel going in and out of parks 24 hours a day, parks' tenants need to display their valid identification before entering into parks, visitors must register their information and get approval before entering. For vehicles entering parks, security guards ask the locations to be reached before release. Depending on the characteristics of different parks, we set the sampling percentages for vehicles leaving parks, conduct a simple inspection and ask for goods delivery receipts, and record related information in the Charge Record Table for Vehicles Entering and Leaving the Park. For large items and suspicious items transporting out of the management area, the guards must ask for effective "Release Sheet", and check items with the clients' cooperation.

Confidentiality Requirements

All internal data relating to customers and the Group shall be kept confidential, including customer unit information, park profiles data, corporate internal information, personal data of property management employees.

The Group has maintained property management systems in all logistics parks. The customer management personnel are responsible for inputting data like relevant property information, leasing information and charging information. All the information must be kept confidential according to the Group's rules and the authorized personnel have the obligations to properly keep their accounts and passwords. All documents shall be kept complete.

Anti-Corruption/Bribery

The Group's healthy operation condition relies on our adherence to professional conduct and integrity. The Group has established the Code of Conduct to govern employees' behaviors. The Code of Conduct elaborates the provisions relating to anti-corruption, anti-bribery, conflict of interest, data confidentiality and security, fund management policies and so on, adopting a zero tolerance attitude against corruption, blackmail, fraud and money laundering. Also in the Employee Manual, the Group clearly lists anti-corruption requirements to prohibit any activities like commercial bribery, corruption and embezzlement of properties of the Company. Furthermore, all of our employees shall sign a confidential agreement when joining the Company, to ensure that they will protect the Group's commercial and technical secrets and in any event will not disclose the Group's confidential documents or other non-public operational and financial information to any other third parties in any forms without prior authorization of the Group. All employees are also needed to sign off the Code of Conduct, which outlines applicable legal requirements and the Group's policies that all employees shall abide by. The Group also actively organizes employee training with respect to the Code of Conduct, and further governs employee behaviors and procures them to abide by the laws and assume social responsibilities.

The Code of Conduct regulates corruption and bribery activities from the following seven aspects:

- Prohibiting abuse power, and damage the Group's assets and interests
- Consciously safeguarding the Company's interests
- Complying with the relevant financial disciplines
- Consciously resisting commercial bribery
- Strict implementation of bidding and tendering requirements
- Strict implementation of contract management policies
- Actively avoiding activities that may impair the interests of the Group by specific related persons

The Group has set up complaint and whistle blowing channels to accept any reports related with violating activities with the purpose of creating an open, fair and impartial enterprise atmosphere. Whistle-blowers can report any employees' violating activities through phone, e-mail, fax, and mail. The Group keeps whistle-blowers and reporting content strictly confidential and duly protects the whistle-blowers' legal identity.

Contribution to the Community

As a socially responsible enterprise, we are actively concerned about social issues. The Group has been adhering to the philosophy of "being enthusiastic about public welfare and being a responsible enterprise", and always focuses on contributions to the community. We strive to care for and support the education of teenagers in poor areas through participating in charitable activities and donations.

Public Welfare Activities

On the evening of 8 December 2016, the "2016 Firefly Charity Night", co-sponsored by Bank of East Asia (China) Co., Ltd. and Shanghai Soong Ching Ling Foundation, was held in Luxury Collection Hotel on Shanghai Hengshan Road. The aims of the event are to jointly support rural education, improve learning conditions for children in remote areas and brighten their future through donating to Shanghai Soong Ching Ling Foundation and East Asia Bank Public Welfare Fund. Li Shifa, Chairman of CNLP, and Senior Vice President Sun Limin were invited to participate, and the Group was awarded as the title "2016 Platinum Caring Partner". In response to the event, we actively donated to the Foundation to provide financial aids to the teenagers in poor areas and help them grow up in a better learning environment. Besides, in August 2016, the Group responded positively to the call by "Shanghai Putuo District Glory Society" for social poverty relief work to improve poor people's lives, and made donations to the institution to support its charity career. In the future, we will continue to fulfill our social responsibilities, more actively focus on, support and participate in charitable activities to make contributions to the community and society.

AWARDS AND HONORS

In January 2016, the CPC Shanghai Putuo District Taopu Town Committee granted "**2015 Charity Enterprise Award**".

In June 2016, at the Asian Logistics Biennial, Munich Exhibition (Shanghai) Co., Ltd. granted "**China Logistics Top Ten Innovative Marketing Award**".

In January 2017, the 2016 China Financing Listed Company Award Ceremony granted "**2016 Best IPO Award**".

PROSPECTS

During the reporting period, we have consistently been performing our own social responsibilities, providing premium services to our customers, actively participating community construction, focusing on and helping vulnerable groups through charitable donations, caring for the development and growth of employees, creating harmonious and comfortable working environment, providing employees with training and development programs, and making progress together with our employees.

Looking forward to the future, we will continue to develop more projects, consistently deliver better services to our customers, uphold the highest ethical standards, and seek for the talents. Moreover, we will be actively involved into community activities and reduce the environmental impact generated from our business. The Group will keep on listening to feedbacks from various stakeholders, constantly improving, striving to create a balance among society, environment and development and implementing the sustainable development.

The Group would like to take this opportunity to express its sincere gratitude to all stakeholders for their support and trust. We will continue to perform the corporate social responsibilities, uphold the concept of sustainable development and make greater contributions to sustainable development of the society.

羅兵咸永道

TO THE SHAREHOLDERS OF CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD

(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Logistics Property Holdings Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 222, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties is identified as a key audit matter in our audit, and is summarized as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 3.3 Fair value estimation, note 4 Critical accounting estimates and judgments and note 7 Investment properties to the consolidated financial statements. Investment properties are initially measured at cost, and are carried subsequently at fair value, representing their fair values determined at each reporting date by an external valuer. The Group's investment properties were carried at fair value at RMB12,839.00 million as at 31 December 2016 and net fair value gains of RMB1,102.59 million was accounted for under "Fair value gains on investment properties – net" in the Group's consolidated statement of comprehensive income. The Group's investment properties mainly include: • Completed logistic facilities; • Logistic facilities that are under construction; • Leasehold land held for future development. The Group has engaged an external valuer to assess the fair values of the investment properties. The appraised value is determined by using applicable valuation methods and involved significant unobservable inputs. We focused on this area as the valuation of the investment properties is significant to the financial statements and the valuation of the investment properties was highly dependent on a range of estimates of the significant unobservable inputs involved in the valuations, including: future rental cash inflows (which is mainly based on existing contractual rents, market rents and rental growth rates), capitalization rates, discount rates and term/reversionary yields, and for those properties which are bare land or under construction as of the reporting date, the developer's profit margin, expected completion dates and the outstanding costs to complete the properties.	Our procedures in relation to management's assessment of the fair values of the investment properties included: (1) We assessed the competence, capabilities, and independence of the external valuer. (2) We obtained the valuation reports for all properties, discussed and queried the adoption of the valuation methodologies and techniques with the external valuer. We assessed the valuation methodologies used in the valuations by referring to the applicable professional valuation standards and market practice, with the assistance from our internal valuation specialists. (3) We checked the key underlying data used in the valuation models, such as contractual rents and leasehold land and construction costs, using sampling techniques, to the relevant supporting documents. (4) We assessed the significant unobservable inputs used in the valuation models, with the assistance from our internal valuation specialists, by performing the following procedures: • market rents, by benchmarking against market available data from similar properties; • rental growth rates, by comparing to the external evidence such as economic and industry forecasts; • capitalization rates, term/reversionary yields, the developer's profit margin and discount rates, by benchmarking against market available data; and • estimated costs to complete and completion dates, by comparing to the project plans and related construction budgets developed and approved by management; we also compared the actual costs of the newly completed properties to their budget costs to assess the reliability of the budgets. Based on the work performed, we found the use of the valuation methodologies and techniques was acceptable, and the estimates and assumptions used in determining the fair values of the investment properties for the purpose of the financial statements were supported by evidences we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2017

Consolidated Balance Sheet

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	6	**6,620**	4,899
Investment properties	7	**12,839,000**	9,709,000
Intangible assets		**107**	135
Investment accounted for using the equity method	8	**184,967**	108,465
Long-term trade receivables	10(a)	**19,412**	15,644
Other long-term prepayments	10(b)	**397,576**	122,661
		13,447,682	9,960,804
Current assets			
Trade and other receivables	11(a)	**36,553**	79,575
Prepayments	11(b)	**13,070**	13,370
Available-for-sale financial assets	12	**76,119**	—
Cash and cash equivalents	13	**1,957,704**	820,773
Restricted cash	13	**9,555**	800
		2,093,001	914,518
Total assets		**15,540,683**	10,875,322
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital and premium	14	**5,760,728**	310
Other reserves	16	**166,842**	152,777
Retained earnings	15	**2,551,522**	1,831,347
Total equity		**8,479,092**	1,984,434

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	18	**4,632,592**	934,385
Long-term payables	21	**27,612**	19,794
Hybrid instruments	19	**—**	5,790,473
Deferred income tax liabilities	9	**1,358,750**	990,101
		6,018,954	7,734,753
Current liabilities			
Trade and other payables	22	**422,437**	492,641
Current income tax liabilities		**16,346**	18,803
Borrowings	18	**603,854**	644,691
		1,042,637	1,156,135
Total liabilities		**7,061,591**	8,890,888
Total equity and liabilities		**15,540,683**	10,875,322

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 95 to 222 were approved by the board of directors on 29 March 2017 and the consolidated balance sheet was signed on its behalf by:

Li Shifa

Pan Naiyue

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	23	**270,861**	163,238
Cost of sales	26	**(88,881)**	(57,252)
Gross profit		**181,980**	105,986
Selling and marketing expenses	26	**(19,877)**	(14,312)
Administrative expenses	26	**(93,246)**	(59,496)
Other income	24	**25,932**	125,843
Fair value gains on investment properties — net	7	**1,102,592**	2,669,987
Fair value losses on hybrid instruments — net	19	**(114,697)**	(1,155,561)
Other gains — net	25	**797**	171,841
Operating profit		**1,083,481**	1,844,288
Finance income	28	**7,529**	47,534
Finance expenses	28	**(134,299)**	(26,913)
Finance (expenses)/income — net	28	**(126,770)**	20,621
Share of profit of investment accounted for using the equity method	8	**76,502**	16,215
Profit before income tax		**1,033,213**	1,881,124
Income tax expense	29	**(312,735)**	(675,759)
Profit for the year attribute to the owners of the Company	15	**720,478**	1,205,365
Other comprehensive income:			
Change in value of available-for-sale financial assets		**3,472**	—
Currency translation differences		**(355)**	—
Other comprehensive income for the year, net of tax		**3,117**	—
Total comprehensive income for the year attribute to the owners of the Company		**723,595**	1,205,365
Earnings per share (expressed in RMB)			
— Basic	30	**0.4032**	1.5067
— Diluted	30	**0.4027**	1.1846
Dividends	31	**—**	—

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company			
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	310	12,327	626,716	639,353
Comprehensive income				
Profit for the year	–	–	1,205,365	1,205,365
Total comprehensive income	–	–	1,205,365	1,205,365
Transactions with equity owner in its capacity as equity owner				
Deemed contribution from Yupei International Investment Management Co., Ltd ("Yupei Investment Management") (Note 16, 19.3)	–	139,716	–	139,716
Profit appropriation to statutory reserves	–	734	(734)	–
Total transactions with equity owner in its capacity as equity owner	–	140,450	(734)	139,716
Balance at 31 December 2015	310	152,777	1,831,347	1,984,434
Balance at 1 January 2016	**310**	**152,777**	**1,831,347**	**1,984,434**
Comprehensive income				
Profit for the year	**–**	**–**	**720,478**	**720,478**
Other comprehensive income				
Change in value of available-for-sale financial assets (Note 12)	**–**	**3,472**	**–**	**3,472**
Currency translation differences	**–**	**(355)**	**–**	**(355)**
	–	**3,117**	**–**	**3,117**
Total comprehensive income	**–**	**3,117**	**720,478**	**723,595**
Transactions with equity owners in their capacity as equity owners				
Issuance of ordinary shares (Note 14)	**2,896,692**	**–**	**–**	**2,896,692**
Conversion of hybrid instruments (Note 14)	**2,863,726**	**–**	**–**	**2,863,726**
Employees share option scheme				
— Value of employee services (Note 16, 17)	**–**	**10,645**	**–**	**10,645**
Profit appropriation to statutory reserves	**–**	**303**	**(303)**	**–**
Total transactions with equity owners in their capacity as equity owners	**5,760,418**	**10,948**	**(303)**	**5,771,063**
Balance at 31 December 2016	**5,760,728**	**166,842**	**2,551,522**	**8,479,092**

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**136,377**	28,686
Interest received	28	**7,494**	11,518
Income tax paid		**(7,244)**	(4,709)
Net cash generated from operating activities		**136,627**	35,495
Cash flows from investing activities			
Investment in an associate	8	**–**	(92,250)
Payment of consideration of business combination of Suzhou Yuqing Warehousing Co., Ltd. ("Suzhou Yuqing")		**(373)**	(539,675)
Payment of consideration of business combination of Zhengzhou Hozdo Logistics Co., Ltd. ("Zhengzhou Hozdo")		**–**	(49,771)
Acquisition of property, plant and equipment	6	**(3,186)**	(2,870)
Addition of investment properties		**(2,299,146)**	(2,586,019)
Acquisition of intangible assets		**–**	(140)
Proceeds from disposal of auxiliary facilities of investment properties		**17**	–
Proceeds from disposal of subsidiaries		**–**	10,817
Purchases of available-for-sale financial assets	12	**(269,221)**	–
Proceeds from disposal of available-for-sale financial assets	12	**204,040**	–
Payment of consideration of equity transfer of Shanghai Yupei Group Co., Ltd. ("Shanghai Yupei") to Shanghai Yupei Industrial (Group) Co., Ltd. ("Shanghai Yupei Industrial")		**–**	(477,010)
Payment of consideration of equity transfer of Wuhu Yupei Investment Management Co., Ltd. ("Wuhu Yupei Investment") to Yuhang Commercial Operation Management Co., Ltd.		**–**	(50,000)
Increase in amounts due from related parties	35(c)	**–**	(115,940)
Decrease in amounts due from related parties	35(d)	**–**	126,962
(Increase)/decrease in restricted cash	13	**(8,755)**	540,701
Receipt of government grants	20	**21,317**	121,035
Net cash used in investing activities		**(2,355,307)**	(3,114,160)

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2016	2015
	Note	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	14	**3,063,376**	–
Payment of underwritering commission fees and other listing expenses		**(163,910)**	–
Proceeds from borrowings		**8,045,089**	1,734,978
Repayments of borrowings		**(4,446,149)**	(899,820)
Redemption and repayment of hybrid instruments	19.2、19.3	**(2,937,982)**	–
Issuance of hybrid instruments	19	**–**	2,890,113
Payment of interest of hybrid instruments	19	**(42,761)**	(49,003)
Payment of interest expenses		**(163,512)**	(79,838)
Increase in amounts due to related parties	35(a)	**–**	963,150
Decrease in amounts due to related parties	35(b)	**(12,300)**	(1,327,231)
Payment of pre-IPO private placement commission fee		**–**	(18,454)
Net cash generated from financing activities		**3,341,851**	3,213,895
Net increase in cash and cash equivalents		**1,123,171**	135,230
Cash and cash equivalents at beginning of year		**820,773**	678,428
Exchange gains on cash and cash equivalents		**13,760**	7,115
Cash and cash equivalents at end of year	13	**1,957,704**	820,773

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

1 General information of the Group

China Logistics Property Holdings Co., Ltd (the "Company") was incorporated on 12 November 2013 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2013 Revision) of the Cayman Islands, as amended or re-enacted from time to time. The address of its registered office is Harneys Service (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the leasing of storage facilities and the related management services in the People's Republic of China (the "PRC").

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 15 July 2016 (the "Listing"). An aggregate of 1,035,707,000 shares of the Company were issued at a price of Hong Kong Dollar ("HK$")3.25 by way of global offering. On 10 August 2016, an aggregate of additional 58,695,000 shares of the Company were issued at a price of HK$3.25 pursuant to the exercise of over-allotment option.

Before the Listing, Mr. Li Shifa ("Mr. Li") and Ms. Ma Xiaocui ("Ms. Ma") (the spouse of Mr. Li) were the ultimate controlling shareholders of the Group. After the Listing, they became the substantial shareholders of the Group.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 29 March 2017.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial liabilities (including hybrid instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2016:

- Amendments to International Accounting Standards ("IAS") 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation";
- Amendment to IAS 27 "Equity method in separate financial statements";
- Annual improvements to IFRSs 2012 – 2014 cycle, amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34; and
- Amendments to IAS 1 "Disclosure initiative".

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards, amendments and interpretations to existing standards effective in 2016 but not relevant to the Group

Standards		Effective for annual periods beginning on or after
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
IAS 16 and IAS 41 (Amendment)	Agriculture: bearer plants	1 January 2016
IFRS 10, IFRS 12 and IAS 28 (Amendment)	Investment entities: applying the consolidation exception	1 January 2016

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations have been issued and are relevant to the Group's operations but they are not yet effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group:

- IFRS 9 "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities as at 31 December 2016. The accounting for other financial liabilities has not been changed. The derecognition rules have been transferred from IAS 39 "Financial instruments: recognition and measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. There will be no impact on the Group's consolidated financial statements, as the Group has not undertaken any hedging transactions.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New standards and interpretations not yet adopted (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 "Revenue from contracts with customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS 9 before its mandatory date.

- IFRS 15 "Revenue from contracts with customers"

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New standards and interpretations not yet adopted (continued)

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue, and
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognized as an asset under IFRS 15.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

- IFRS 16 "Leases"

IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB4,162,000, as disclosed in Note 34(b). The new standard will impact both the balance sheet and related ratios (gearing ratio), but the impact will not be material.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

- Amendments to IAS 12 "Income taxes"

These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New standards and interpretations not yet adopted (continued)

The amendments are effective for financial years beginning on or after 1 January 2017.

- Amendment to IAS 7 "Statement of cash flows"

The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment is effective for financial years beginning on or after 1 January 2017.

- Amendments to IFRS 2 "Classification and measurement of share-based payment transactions"

These amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modification from cash-settled awards to equity-settled awards. It also introduces an exception to the principles in IFRS 2 that requires an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

The amendments are effective for financial years beginning on or after 1 January 2018.

- Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The amendments were originally intended to be effective for financial years beginning on or after 1 January 2016. The effective date has now been deferred/removed.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

The Group is in the process of making an assessment on the impact of these new/revised standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehension income.

Intra-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income ("OCI") in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in OCI is recognized in OCI with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profit of investments accounted for using equity method" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "Finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other gains – net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a Functional Currency different from the presentation currency are translated into the presentation currency as follows:

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(c) Group companies (continued)

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in OCI.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Vehicles and machineries	5–10 years
— Furniture, fittings and equipments	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains – net" in the consolidated statement of comprehensive income.

2.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow ("DCF") projections. Changes in fair values are recorded in the consolidated statement of comprehensive income as part of a valuation gain or loss in "Fair value gains on investment properties – net".

2.8 Intangible assets

Intangible assets include computer software licenses. Acquired computer software licenses are capitalized on the basis of the costs included to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 5 years.

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the follow categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables", "Cash and cash equivalents" and "Restricted cash" in the consolidated balance sheet (Notes 2.13 and 2.14).

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary debt instruments classified as available for sale are recognized in OCI.

When debt instruments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income as "Other gains – net".

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention consolidated to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 Summary of significant accounting policies (continued)

2.12 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.12 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt instruments, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for lease of logistics facilities and services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. See Note 2.10 for further information about the Group's accounting for trade receivables and Note 2.12 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies (continued)

2.15 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (Note 2.19).

Incremental costs directly attributable to issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies (continued)

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalization is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalization in previous years should not be capitalized in subsequent years.

2 Summary of significant accounting policies (continued)

2.19 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes, redeemable convertible deemed preferred shares, prepayable loans and redeemable convertible ordinary shares.

(a) Convertible notes

Convertible notes which entitle the holder a put option (i.e. an option to require the Group to redeem in cash) and an option to convert into a variable number of equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as compound instruments consisting of a liability and a derivative component. The convertible notes including the embedded derivative as a whole are designated as financial liabilities at fair value through profit or loss. The entire convertible notes are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the year in which they arise.

Issue costs that are directly attributable to the issue of the convertible notes designated as financial liabilities at fair value through profit or loss are recognized immediately in consolidated statement of comprehensive income.

The convertible notes are classified as current unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of the reporting period.

(b) Redeemable convertible deemed preferred shares

Redeemable convertible deemed preferred shares which entitle the holder (i) to convert into a variable number of equity instruments, or to convert into a fixed number of equity instruments in exchange of variable amount of cash and (ii) to participate in dividends appropriation in preference to holders of ordinary shares, subject to the discretion of the directors of the Company, are regarded as compound instruments that consist of a liability component, an embedded derivative and an equity component. The Group designates the redeemable convertible deemed preferred shares as financial liabilities at fair value through profit or loss. The entire redeemable convertible deemed preferred shares are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the year in which they arise.

2 Summary of significant accounting policies (continued)

2.19 Compound financial instruments (continued)

(b) Redeemable convertible deemed preferred shares (continued)

Issue costs that are directly attributable to the issue of the redeemable convertible deemed preferred shares, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statement of comprehensive income.

The redeemable convertible deemed preferred shares are classified as current unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of the reporting period.

(c) Prepayable loans

Prepayable loans with a host debt and prepayment features embedded, which are not closely related to the host debt, are regarded as compound instruments consisting of a liability and a derivative component. The prepayable loans including the embedded derivative as a whole are designated as financial liabilities at fair value through profit or loss. The entire prepayable loans are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the year in which they arise.

Issue costs that are directly attributable to the issue of the prepayable loans designated as financial liabilities at fair value through profit or loss are recognized immediately in consolidated statement of comprehensive income.

The prepayable loans are classified as current unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies (continued)

2.19 Compound financial instruments (continued)

(d) Redeemable convertible ordinary shares

Redeemable convertible ordinary shares which entitle the holder (i) to convert into a variable number of equity instruments, or to convert into a fixed number of equity instruments in exchange of variable amount of cash and (ii) to participate in dividends appropriation, subject to the discretion of the directors of the Company, are regarded as compound instruments that consist of a liability component, an embedded derivative and an equity component. The Group designates the redeemable convertible ordinary shares as financial liabilities at fair value through profit or loss. The entire redeemable convertible ordinary shares are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the year in which they arise.

Issue costs that are directly attributable to the issue of the redeemable convertible ordinary shares, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statement of comprehensive income.

The redeemable convertible ordinary shares are classified as current unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of the reporting period.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences (continued)

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies (continued)

2.21 Employee benefits (continued)

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.22 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets measured at fair value are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income when, and only when, the conditions attaching to the government grant are met.

2 Summary of significant accounting policies (continued)

2.23 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from directors, employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service supplied, stated net of discounts and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Rental income and revenue from providing management services

Rental income from investment property is recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

The Group provides property management services to customers. Revenue derived from sales of services is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

2.25 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.27 Dividend distribution

Dividend distribution to the Company's shareholder is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2 Summary of significant accounting policies (continued)

2.28 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment in the financial statements of the Company.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in mainland China with most of the revenue and expenditures transactions denominated and settled in RMB, where its foreign exchange risk is limited.

The Group's exposure to foreign exchange risk is mainly on its cash and cash equivalents and its financing and investing activities (i.e., issuance of hybrid instruments, borrowings and investments in available-for-sale financial assets) denominated in HK$ and United States Dollars ("US$"). The Group has not hedged its foreign exchange rate risk. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the mainland China government.

At 31 December 2016, if RMB had weakened/strengthened by 5% against HK$ and US$ with all other variables held constant, the Group's profit before tax for the year ended 31 December 2016 would have been decreased/increased by approximately RMB56,888,000 (2015: RMB283,036,000), mainly as a result of foreign exchange losses/gains on translation of HK$ and US$ denominated cash and cash equivalents, and US$ denominated borrowings. Profit is less sensitive to movement in RMB/US$ exchange rates in 2016 than 2015 because of the redemption and conversion of US$ denominated hybrid instruments in 2016. Similarly, the Group's equity would have been decreased/increased by approximately RMB53,082,000 (2015: RMB283,036,000) due to the redemption and conversion of US$ denominated hybrid instruments and an increase in investment in available-for-sale financial assets.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain stability of its borrowings in fixed rate instruments. The Group has not used any derivative to hedge its exposure to interest rate risks.

At 31 December 2016, if average interest rate on the Group's certain borrowings, which bear floating rates, had been 50 basis point higher/lower, profit before tax for the year ended 31 December 2016 would have been decreased/increased by approximately RMB15,731,000 (2015: RMB7,445,000).

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, trade and other receivables and available-for-sale financial assets. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage the risk with respect to cash and cash equivalents and restricted cash, bank deposits are placed with highly reputable financial institutions. As at 31 December 2016, most of the cash and cash equivalents and restricted cash are placed with major financial institutions in mainland China and Hong Kong.

Most of the Group's lease and service income are settled in cash or in bills by its customers. The Group generally requires customers to pay a certain amount of deposits when rental contracts are signed. The Group performs credit assessment on customers before granting credit limits to customers and credit risks in connection with trade receivables are monitored on an on-going basis. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group enters into the financial products contracts with relatively higher interest rates with certain financial institution in mainland China. As at 31 December 2016, these are reflected as available-for-sale financial assets on the consolidated balance sheet. Management has exercised due care when make investment decision with focus only on low risk financial products with principal being guaranteed.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and summarized by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts tabulated below are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Borrowings and interests	**997,779**	**890,029**	**3,673,043**	**924,703**	**6,485,554**
Trade and other payables	**356,532**	**—**	**—**	**—**	**356,532**
Long-term payables	**—**	**19,361**	**7,645**	**606**	**27,612**
	1,354,311	**909,390**	**3,680,688**	**925,309**	**6,869,698**
At 31 December 2015					
Borrowings and interests	725,596	159,879	564,990	392,072	1,842,537
Trade and other payables	466,829	—	—	—	466,829
Long-term payables	—	2,162	17,026	606	19,794
Hybrid instruments	2,167,287	1,976,085	3,212,976	—	7,356,348
Financial guarantee contracts	291,786	—	—	—	291,786
	3,651,498	2,138,126	3,794,992	392,678	9,977,294

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Hybrid instruments

(i) Convertible notes

As disclosed in Note 19.1, the Company entered into an Initial Note Purchase Agreement with Berkeley Asset Holding Ltd ("RRJ Berkeley") on 4 April 2014, and an Initial Convertible Promissory Notes (the "2014 Note") with RRJ Berkeley and SeaTown Lionfish Pte. Ltd. ("SeaTown"), respectively on 25 April 2014 with principal amount of US$150,000,000 (approximately, RMB923,787,000). Further, on 26 January 2015, the Company entered into a Note Purchase Agreement with RRJ Berkeley, and on 10 February 2015 entered into Convertible Promissory Notes (the "2015 Note") with RRJ Berkeley and SeaTown respectively with a principal amount of US$100,000,000 (approximately, RMB612,951,000). Both the 2014 Note and 2015 Note have a maturity period of four years, bear an interest rate of 10% per annum. RRJ Berkeley and SeaTown may, at any time before the 2014 Note and 2015 Note maturity date, convert the entire outstanding principal amount of the 2014 Note and 2015 Note plus the accrued and unpaid interest thereon into a number of ordinary shares of the Company. The maturity analysis in the above table for the year ended 31 December 2015 assumes no conversion before the maturity date.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Hybrid instruments (continued)

(ii) Redeemable convertible deemed preferred shares

As disclosed in Note 19.2, Shanghai Yupei and Shanghai Yupei Investment Management Co., Ltd., subsidiaries of the Company (together "Yupei Parties"), entered into an Investment Framework Contract ("Framework Contract") with Seed Holding Company II, Limited ("Carlyle") on 18 June 2013. Pursuant to the Framework Contract, Carlyle wishes to invest in the project subsidiaries of the Company (the "Project Companies") in the 2 years investment period, starting from 18 June 2013, and to provide shareholder loans to Project Companies as well. The Company needs to complete a qualified initial public offering ("IPO"), as defined in the Framework Contract, after 4.5 years from the date of entering into the Framework Contract (the "Carlyle Maturity Date"), otherwise, Carlyle may exercise drag-along sale. Upon confirming the engagement of the IPO sponsors and underwriters, Carlyle has the choice to require Yupei Parties to redeem or convert its entire investments in the Project Companies and shareholder loans plus accrued and unpaid interest into a number of ordinary shares of the Company. Further, upon the occurrence of any event of default, Carlyle may request Yupei Parties redeem all or a portion of its investments and shareholder loans in the Project Companies. The redemption price shall be the total investment and shareholder loan principal amount plus interest accrued at the after-tax Internal Rate of Return ("IRR") of 20%. The maturity analysis in the above table for the year ended 31 December 2015 takes into account the earliest period, in which Yupei Parties can be required to pay, i.e. redemption upon the occurrence of event of default, which is not controlled by Yupei Parties.

(iii) Prepayable loans

As disclosed in Note 19.3, the Company entered into Loan Agreements with Sherlock Asset Holding Ltd. ("RRJ Sherlock") and SeaTown, Mr. Li and Yupei Investment Management (Mr. Li and Yupei Investment Management together the "Founder Parties") on 20 April 2015 (the "2015 Loan"). Pursuant to the Loan Agreements, the Company borrowed an aggregated principal amount of US$225,000,000 and US$25,000,000 (the "2015 Loan Principal Amount") from RRJ Sherlock and SeaTown respectively, which have a maturity period of two years, bearing an interest rate of 12% per annum. Thereafter, SeaTown entered into a loan participation agreement with Moussedragon, L.P. ("Moussedragon") on 19 August 2015 (the "Loan Participation Agreement"), pursuant to which, SeaTown granted to Moussedragon a participation in part of the 2015 Loan with amount of US$5,000,000 in exchange for US$5,000,000. The Company may, at any time before the 2015 Loan maturity date, repay the loan in whole or in part.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Hybrid instruments (continued)

(iv) Redeemable convertible ordinary shares

As disclosed in Note 19.4, China Yupei Logistics Property Development Co., Ltd., Yupei East China Logistics Property Management Co., Ltd., ("Yupei East China Logistics"), Yupei East China Logistics Property Development Co., Ltd. and Shanghai Yuji Consulting Management Co., Ltd., subsidiaries of the Company (together "Yuji Parties"), entered into an Investment Agreement with Logisware Investment Limited ("FD Insurance") on 11 March 2015 and a supplementary agreement on 18 May 2015 (together the "Investment Agreement"). Pursuant to the Investment Agreement, FD Insurance invested in one of the project subsidiaries of the Company, Yupei East China Logistics with investment amount of US$48,150,500. The Company needs to complete a qualified IPO on or before 18 December 2017. Upon confirming the engagement of the IPO sponsors and underwriters, FD Insurance needs to convert its entire investments in Yupei East China Logistics into a number of ordinary shares of the Company. Further, FD Insurance has the right to require or Yuji Parties redeem the investments upon occurrence of contingent event. The redemption price shall be the total investment principal amount plus interest accrued at the after-tax IRR of 20%. The maturity analysis in the above table for the year ended 31 December 2015 takes into account the earliest period, in which Yuji Parties can be required to pay, i.e. redemption upon the occurrence of contingent event, which is not controlled by Yuji Parties.

The Group has classified the convertible notes, the redeemable convertible deemed preferred shares, the prepayable loans and the redeemable convertible ordinary shares as non-current liabilities and recorded as "Hybrid instruments" on the consolidated balance sheet as of 31 December 2015. The balances would be reclassified into current liabilities if it will be due within 12 months after the end of the reporting period.

The hybrid instruments were converted into ordinary shares upon listing, repaid or redeemed during the year ended 31 December 2016 (Note 19).

3. Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "Current and Non-current borrowings" as shown in the consolidated balance sheet; and the redeemable convertible deemed preferred shares and prepayable loans, recorded as "Hybrid instruments" in the consolidated balance sheet) less cash and cash equivalents and restricted cash. Total capital is calculated as "Equity" as shown in the consolidated balance sheet; and convertible notes and redeemable convertible ordinary shares, recorded as "Hybrid instruments" in the consolidated balance sheet, plus net debt.

3. Financial risk management (continued)

3.2 Capital management (continued)

The gearing ratios as at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total borrowings (Note 18)	**5,236,446**	1,579,076
Add: redeemable convertible deemed preferred shares (Note 19.2)	**—**	1,695,641
prepayable loans (Note 19.3)		1,650,900
Less: cash and cash equivalents (Note 13)	**(1,957,704)**	(820,773)
restricted cash (Note 13)	**(9,555)**	(800)
Net debt	**3,269,187**	4,104,044
Total equity	**8,479,092**	1,984,434
Add: convertible notes (Note 19.1)	**—**	2,109,667
Add: redeemable convertible ordinary shares (Note 19.4)	**—**	334,265
Total capital	**11,748,279**	8,532,410
Gearing ratio	**28%**	48%

The fluctuation of gearing ratio during the reporting period is a result of draw-down/repayment of borrowings, issuance of new ordinary shares and the redemption/conversion/repayment of the convertible notes, redeemable convertible deemed preferred shares, prepayable loans and redeemable convertible ordinary shares.

3. Financial risk management (continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See Note 7 for disclosures of the investment properties that are measured at fair value and Note 19 for disclosures of the hybrid instruments that are measured at fair value.

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016 and 2015.

As at 31 December 2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	76,119	76,119
Investment properties	–	–	12,839,000	12,839,000
	–	–	12,915,119	12,915,119

As at 31 December 2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	9,709,000	9,709,000
Liabilities				
Hybrid instruments	–	–	5,790,473	5,790,473

There were no transfers among levels of the fair value hierarchy during the year.

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in Level 3

Available-for-sale financial assets

The following table presents the changes in level 3 instruments for the year ended 31 December 2016:

	Available-for-sale financial assets RMB'000
Opening balance	–
Additions	269,221
Net fair value changes recognized in equity	3,472
Settlements	(204,040)
Gains recognized in the consolidated statement of comprehensive income	7,466
Closing balance	76,119
Total gains for the year realized in the consolidated statement of comprehensive income, under "Other gains-net"	7,466

Quantitative information about fair value measurements using significant unobservable inputs (level 3)

Description	Fair value at 31 December 2016 RMB'000	Valuation technique	Unobservable inputs	Projected rate
Available-for-sale	76,119	DCF	Expected yield rate	3%

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in Level 3 (continued)

Hybrid instruments

The following table presents the changes in level 3 hybrid instruments for the year ended 31 December 2016 and 2015.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Hybrid instruments		
At fair value		
Opening balances	**5,790,473**	1,933,518
Additions	**–**	2,750,397
Payment of interest	**(42,761)**	(49,003)
Losses recognized in the consolidated statement of comprehensive income	**114,697**	1,155,561
Redemption	**(1,119,508)**	–
Conversion	**(2,924,427)**	
Repayment	**(1,818,474)**	
Closing balances	**–**	5,790,473
Changes in unrealized losses, under "Fair value losses on hybrid instruments – net"	**114,697**	1,155,561

Hybrid instruments included in level 3 are redeemable convertible deemed preferred shares issued to Carlyle, convertible notes issued to RRJ Berkeley and SeaTown, prepayable loans from RRJ Sherlock and SeaTown and redeemable convertible ordinary shares issued to FD Insurance.

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in Level 3 (continued)

The valuations of the hybrid instruments were carried out by an independent external valuer.

The valuer derived the fair value of the hybrid instruments under two scenarios, i.e. IPO and non-IPO scenario, and then applied probabilities of each scenario, which was estimated by the management, to arrive at the probability weighted average amount as the fair values of the hybrid instruments.

Option Pricing Method under Equity Allocation Method and the DCF method have been adopted under non-IPO scenario and IPO scenario respectively to derive the fair value of the redeemable convertible deemed preferred shares issued to Carlyle and the redeemable convertible ordinary shares issued to FD Insurance. The inputs include the risk-free rate, volatility, bond discount rate and probability weight for non-IPO and IPO scenario.

Binomial Model and the DCF method have been adopted under non-IPO scenario and IPO scenario respectively to derive the fair value of the convertible notes issued to RRJ Berkeley and SeaTown. The inputs include the risk-free rate, volatility, bond discount rate and probability weight for IPO and non-IPO scenario.

The DCF method have been adopted to derive the fair value of the prepayable loans injected from RRJ Sherlock and SeaTown. The inputs include the bond discount rate and probability weight for IPO and non-IPO scenario.

There were no changes in valuation techniques during the year.

3. Financial risk management (continued)

3.4 Financial instruments by category

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2016			
Assets as per balance sheet			
Available-for-sale financial assets	—	76,119	76,119
Trade and other receivables	36,553	—	36,553
Cash and cash equivalents	1,957,704	—	1,957,704
Restricted cash	9,555	—	9,555
Long-term trade receivables	19,412	—	19,412
Total	2,023,224	76,119	2,099,343

	Financial liabilities at amortized cost RMB'000
31 December 2016	
Liabilities as per balance sheet	
Borrowings	5,236,446
Trade and other payables excluding non-financial liabilities	356,532
Long-term payables	27,612
Total	5,620,590

	Loans and receivables RMB'000
31 December 2015	
Assets as per balance sheet	
Trade and other receivables	79,575
Cash and cash equivalents	820,773
Restricted cash	800
Long-term trade receivables	15,644
Total	916,792

3. Financial risk management (continued)

3.4 Financial instruments by category (continued)

	Financial liabilities at amortized cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
31 December 2015			
Liabilities as per balance sheet			
Hybrid instruments	—	5,790,473	5,790,473
Borrowings	1,579,076	—	1,579,076
Trade and other payables excluding non-financial liabilities	466,829	—	466,829
Long-term payables	19,794	—	19,794
Total	2,065,699	5,790,473	7,856,172

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 Critical accounting estimates and judgments (continued)

(a) Fair value of investment properties

Investment properties are stated at fair values based on the valuations performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income. Details of the judgment and assumptions to reach fair value of investment properties have been disclosed in Note 7.

(b) Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

5 Segment information

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. The Group's Project Companies established in different locations in the PRC engage in business activities from which they earn revenues and incur expenses, and have discrete financial information. Therefore these Project Companies are identified as different operating segments of the Group. Nevertheless, these Project Companies have been aggregated into one operating segment, taking into consideration the below factors: the Project Companies have similar economic characteristics and regulatory environment, with all revenue and operating profits from the same business of leasing storage facilities and providing related management services derived within PRC; the Group as a whole, has unified internal organizational structure, management system and internal report system; and the Board allocates resources and evaluates performance of the operating segments in aggregation from Group consolidated level. Therefore all Project Companies have been aggregated into one operating segment.

The operating segments derive their revenue primarily from the rental income generated from lease of logistics facilities and provision of related management services.

No geographical segment information is presented as all the revenue and operating profits of the Group are derived within PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

Revenue from customer A represented 31.2% of the Group's total revenue for the year ended 31 December 2016 (2015: customer A, B and C represented 20.2%, 12.5% and 12.1%).

6 Property, plant and equipment

	Vehicles and machineries RMB'000	Furniture, fittings and equipments RMB'000	Total RMB'000
Year ended 31 December 2015			
Opening net book amount	1,452	1,319	2,771
Business combination of Zhengzhou Hozdo	—	265	265
Additions	209	2,661	2,870
Disposals	(10)	—	(10)
Depreciation charge (Note 26)	(352)	(645)	(997)
Closing net book amount	1,299	3,600	4,899
At 31 December 2015			
Cost	2,777	4,649	7,426
Accumulated depreciation	(1,478)	(1,049)	(2,527)
Net book amount	1,299	3,600	4,899
Year ended 31 December 2016			
Opening net book amount	**1,299**	**3,600**	**4,899**
Additions	**150**	**3,036**	**3,186**
Depreciation charge (Note 26)	**(285)**	**(1,180)**	**(1,465)**
Closing net book amount	**1,164**	**5,456**	**6,620**
At 31 December 2016			
Cost	**2,927**	**7,685**	**10,612**
Accumulated depreciation	**(1,763)**	**(2,229)**	**(3,992)**
Net book amount	**1,164**	**5,456**	**6,620**

7 Investment properties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At fair value		
At beginning of the year	**9,709,000**	3,090,000
Capitalized subsequent expenditure on completed investment properties	**9,334**	—
Capitalized expenditure on investment properties under construction	**2,019,440**	3,074,013
Disposals	**(1,366)**	—
Business combination	**—**	875,000
Net gains from fair value adjustment	**1,102,592**	2,669,987
At end of the year	**12,839,000**	9,709,000

During the year ended 31 December 2016, the Group has capitalized borrowing costs amounting to RMB125,015,000 (2015: RMB53,848,000) on investment properties under construction (Note 28). Borrowing costs were capitalized at the weighted average rate of its general borrowings of 7.2% (2015: 4.5%).

At 31 December 2016, investment properties of the Group with a total fair value amounting to RMB11,327,000,000 (2015: RMB6,295,000,000) were pledged as collateral mortgaged for bank borrowings (Note 18).

As at this report date, the title certificates of certain investment properties with a total fair value of RMB3,352,000,000 are under application process.

Valuations of the Group's investment properties were performed by an independent professional valuer, Colliers International (Hong Kong) Limited ("Colliers"), to determine the fair values of the investment properties as at 31 December 2016 and 2015. The revaluation gains or losses are included in "Fair value gains on investment properties — net".

7 Investment properties (continued)

The valuations were derived primarily using the DCF method with projections based on significant unobservable inputs including market rents, rental growth rates, capitalization rates and discount rates, etc.; and the Term and Reversion ("T&R") analysis by capitalising the net rental income derived from the existing tenancies with allowance onto the reversionary interests of the properties (by making reference to comparable market rental transactions), with significant unobservable inputs including term/reversionary yields. In addition, for investment properties under construction or leasehold land held for future development as at the measurement dates, the outstanding costs to complete the properties in accordance with the underlying design scheme have been considered. The unobservable inputs include those for DCF method and/or the T&R analysis, plus the outstanding costs to complete, expected completion dates and the developer's profit margin.

There were no changes in the valuation techniques adopted during the year.

The below table analyses the investment properties carried at fair value, by different valuation methods.

	Fair value measurements at 31 December 2016 using			
Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Investment properties:				
— Logistics facilities — completed	–	–	10,187,000	10,187,000
— Logistics facilities — under construction	–	–	969,000	969,000
— Logistics facilities — leasehold land held for future development	–	–	1,683,000	1,683,000
	–	–	12,839,000	12,839,000

7 Investment properties (continued)

Description	Fair value measurements at 31 December 2015 using Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurements				
Investment properties:				
— Logistics facilities — completed	—	—	4,710,000	4,710,000
— Logistics facilities — under construction	—	—	3,102,000	3,102,000
— Logistics facilities — leasehold land held for future development	—	—	1,897,000	1,897,000
	—	—	9,709,000	9,709,000

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

7 Investment properties (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**9,709,000**	3,090,000
Additions — business combination	**—**	875,000
Additions — others	**2,028,774**	3,074,013
Disposals	**(1,366)**	—
Net gains from fair value adjustment	**1,102,592**	2,669,987
At end of the year	**12,839,000**	9,709,000
Total gains or losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year, under "Fair value gains on investment properties — net"	**1,102,592**	2,669,987
Change in unrealized gains or losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year	**1,102,592**	2,669,987

7 Investment properties (continued)

Valuation processes of the Group

The fair value of the Group's investment properties at 31 December 2016 and 2015 were valued by independent professional valuer who holds recognized relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to Senior Vice President of finance department. Discussions of valuation processes and results are held between Senior Vice President of finance department, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2016 and 2015, the fair values of the properties have been derived by Colliers.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

7 Investment properties (continued)

Valuation techniques

For completed logistics facilities, the valuation was determined primarily using DCF method and T&R analysis, with projections based on significant unobservable inputs. These inputs include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existing leases, other contracts and external evidences such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of the current leases;
Capitalization rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Term/reversionary yields	Based on actual location, size and quality of the properties and taking into account market data and the status of the existing tenancies at the valuation date.

For logistics facilities which is still under construction or leasehold land held for future development, the valuation was based on the same valuation methods but would take into account additionally the following estimates (in addition to the inputs noted above):

Costs to complete	These are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions.
Completion dates	Properties under construction or leasehold land held for future development require approvals or permits from oversight bodies at various points in the development process, including approvals or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.
The developer's profit margin	Based on actual location, size and quality of the properties and taking into account market data and the completion status of the properties at the valuation date.

There were no changes to the valuation techniques adopted during the year.

7 Investment properties (continued)

Information about fair values measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities – completed	10,187,000	DCF Method/ T&R Analysis	Market rent	RMB17–RMB41 per month per square meter (RMB29 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.00%–9.25% (8.63%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5.2%–7.1% (6.15%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.7%–7.3% (6.5%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5%–6.5% (5.75%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the terminal rent growth rate, the higher the fair value and vice versa
Logistics facilities – under construction	969,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB22–RMB27 per month per square meter (RMB24 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.5%–9% (8.75%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	6.6%–7.1% (6.85%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.75%–6.25% (6%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB13,000,000–RMB282,200,000	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5%–10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

7 Investment properties (continued)

Description	Fair value at 31 December 2016 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities – leasehold land held for future development	1,683,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB22–RMB36 per month per square meter (RMB29 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8%–8.75% (8.38%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	6.15%–6.85% (6.5%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.5%–6% (5.75%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB137,000,000– RMB754,000,000	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5%–10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

7 Investment properties (continued)

Description	Fair value at 31 December 2015 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities – completed	4,710,000	DCF Method/ T&R Analysis	Market rent	RMB13–RMB30 per month per square meter (RMB22 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.25%–9.25% (8.75%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5.5%–7.5% (6.5%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	6%–7.75% (6.88%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.25%–6.5% (5.88%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–8% (6%)	The higher the rent growth rate, the higher the fair value and vice versa
Logistics facilities – under construction	3,102,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB20–RMB30 per month per square meter (RMB25 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.75%–9.5% (9.13%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	7.25%–8% (7.63%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	6%–6.75% (6.38%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB18,357,691– RMB395,825,030	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	3%–10% (6.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

7 Investment properties (continued)

Description	Fair value at 31 December 2015 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facility – leasehold land held for future development	1,897,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB20–RMB38 per month per square meter (RMB29 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.25%–9.5% (8.88%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	6.5%–8% (7.25%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.5%–6.75% (6.13%)	The higher the terminal cap rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB90,572,304–RMB783,817,136	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5%–10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

There are inter-relationships between unobservable inputs. For example, expected long-term vacancy rate may impact the net capitalization rate in deriving the terminal value in the DCF analysis. For investment properties under construction or leasehold land held for future development, increase in construction costs that enhance the properties' features may result in an increase of the expected rental values.

8 Investment accounted for using the equity method

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Beginning of the year	**108,465**	—
Investment cost	**—**	92,250
Share of post — tax profits of associates	**76,502**	16,215
End of the year	**184,967**	108,465

8 Investment accounted for using the equity method (continued)

Investment in an associate

The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investment in an associate as at 31 December 2016:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Shanghai Hongyu Logistics Co., Ltd. ("Shanghai Hongyu")	Shanghai/PRC	41%	Associate	Equity

Shanghai Hongyu was jointly established by Yupei Anhui Logistics Property Development Co., Ltd., subsidiary of the Group, and external third parties, Shanghai Xingchao Investment Management Co., Ltd. and Shanghai Tianzhuo Investment Management Co., Ltd. in March 2015. Its major operation is logistics facility leasing and provision of related management services.

There were no contingent liabilities relating to the Group's interest in its associates as at 31 December 2016 and 2015.

Summarized financial information for an associate

Set out below is summarized financial information as at 31 December 2016 and for the year of 2016 for Shanghai Hongyu, which is accounted for using the equity method.

8 Investment accounted for using the equity method (continued)

Summarized balance sheet

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Current		
Cash and cash equivalents	**71,920**	792
Other receivables	**17,295**	42,160
Total current assets	**89,215**	42,952
Trade and other payables	**(77,535)**	(3,562)
Borrowings	**(150,000)**	(260,000)
Total current liabilities	**(227,535)**	(263,562)
Non-current		
Investment properties	**924,000**	498,000
Property, plant and equipment	**470**	610
Total non-current assets	**924,470**	498,610
Borrowings	**(258,908)**	—
Deferred income tax liabilities	**(76,102)**	(13,452)
Total non-current liabilities	**(335,010)**	(13,452)
Net assets	**451,140**	264,548

8 Investment accounted for using the equity method (continued)

Summarized statement of comprehensive income

	Year ended 31 December 2016 RMB'000	Period from 23 March 2015, date of incorporation, to 31 December 2015 RMB'000
Finance income	**53**	79
Other expenses	**(1,441)**	(887)
Other gains — net	**30**	—
Fair value gains on investment properties — net	**250,600**	53,808
Profit before income tax	**249,242**	53,000
Income tax expense	**(62,650)**	(13,452)
Post-tax profit for the period	**186,592**	39,548
Other comprehensive income	**—**	—
Total comprehensive income for the year/period	**186,592**	39,548

Reconciliation of summarized financial information

	Year ended 31 December 2016 RMB'000	Period from 23 March 2015, date of incorporation, to 31 December 2015 RMB'000
Net assets at beginning of the year/period	**264,548**	225,000
Profit for the year/period	**186,592**	39,548
Net assets at end of the year/period	**451,140**	264,548
Interest in associate (41%)	**184,967**	108,465
Carrying value	**184,967**	108,465

9 Deferred income tax

The analysis of deferred tax liabilities is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	**(1,358,148)**	(989,388)
— Deferred tax liability to be recovered within 12 months	**(602)**	(713)
	(1,358,750)	(990,101)

The gross movements on the deferred income tax are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**(990,101)**	(270,567)
Charged to the consolidated statement of comprehensive income (Note 29)	**(307,948)**	(658,689)
Decrease of hybrid instruments	**(60,701)**	—
Business combination	**—**	(59,762)
Disposal of a subsidiary	**—**	(1,083)
At end of the year	**(1,358,750)**	(990,101)

9 Deferred income tax (continued)

The movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Government grant RMB'000	Share-based payment RMB'000	Tax losses RMB'000	Fair value losses on hybrid instruments RMB'000	Total RMB'000
At 1 January 2015	1,083	—	6,331	12,869	20,283
Credited to the consolidated statement of comprehensive income	—	—	10,878	47,832	58,710
Disposal of a subsidiary	(1,083)	—	—	—	(1,083)
At 31 December 2015	—	—	17,209	60,701	77,910
At 1 January 2016	**—**	**—**	**17,209**	**60,701**	**77,910**
Credited to the consolidated statement of comprehensive income	**—**	**2,661**	**38,716**	**—**	**41,377**
Decrease of hybrid instruments	**—**	**—**	**—**	**(60,701)**	**(60,701)**
At 31 December 2016	**—**	**2,661**	**55,925**	**—**	**58,586**

9 Deferred income tax (continued)

Deferred tax liabilities	Government grant RMB'000	Leasing income on straight-lined basis RMB'000	Fair value gains on investment properties RMB'000	Total RMB'000
At 1 January 2015	(4,911)	(1,493)	(284,446)	(290,850)
Charged to the consolidated statement of comprehensive income	(13,936)	(2,418)	(701,045)	(717,399)
Business combination	—	—	(59,762)	(59,762)
At 31 December 2015	(18,847)	(3,911)	(1,045,253)	(1,068,011)
At 1 January 2016	**(18,847)**	**(3,911)**	**(1,045,253)**	**(1,068,011)**
Charged to the consolidated statement of comprehensive income	**—**	**(942)**	**(348,383)**	**(349,325)**
At 31 December 2016	**(18,847)**	**(4,853)**	**(1,393,636)**	**(1,417,336)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB30,304,000 (2015: RMB20,498,000) in respect of losses amounting to RMB121,217,000 (2015: RMB81,992,000) that can be carried forward against future taxable income. Losses amounting to RMB549,000 (2015: RMB560,000), RMB234,000 (2015: RMB2,052,000), RMB8,219,000 (2015: RMB21,384,000), RMB42,263,000 (2015: RMB57,996,000) and RMB69,952,000 (2015: Nil) will expire in 2017, 2018, 2019, 2020 and 2021, respectively.

The Group did not recognize deferred tax liability on accumulated undistributed profit of its subsidiaries as at 31 December 2016 and 2015, due to the subsidiaries do not intend to distribute dividend in foreseeable future.

10 Long-term trade receivables and other long-term prepayments

(a) Long-term trade receivables

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Rental income receivables	**19,412**	15,644

(b) Other long-term prepayments

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Prepayment for land use rights (i)	**257,782**	—
Prepayment for construction costs	**119,585**	106,586
Long-term prepaid expenses	**20,209**	16,075
	397,576	122,661

(i) Prepayments for acquisition of land use rights are related to acquisition of leasehold land for property development and then for lease purposes, of which the ownership certificates have not been obtained yet as at the balance sheet dates.

11 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables		
Rental income receivables	**6,044**	9,816
Other receivables		
Other receivables for land use rights and other deposits	**30,388**	67,223
Other receivables due from third parties	**118**	2,117
Other receivables due from related parties (Note 35)	**3**	419
	30,509	69,759
	36,553	79,575

As at 31 December 2016 and 31 December 2015, the fair value of the current portion of trade and other receivables of the Group approximated their carrying amounts.

As at 31 December 2016 and 31 December 2015, all the carrying amounts of trade and other receivables were denominated in RMB.

As at 31 December 2016 and 2015, the ageing analysis of the trade receivables based on the dates that the Group was entitled to collect the rental income, was as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Up to 30 days	**4,158**	8,084
31 to 90 days	**863**	1,672
91 to 365 days	**1,023**	60
	6,044	9,816

11 Trade and other receivables and prepayments (continued)

(a) Trade and other receivables (continued)

As at 31 December 2016 and 2015, all trade receivables were past due but not impaired. These relate to a number of third-party customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts are considered recoverable. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Past due — within 90 days	**5,021**	9,756
— from 91 to 365 days	**1,023**	60
	6,044	9,816

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(b) Prepayments

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Prepaid taxes	**7,433**	1,245
Prepayments for utilities	**5,637**	4,015
Prepayments for listing expenses	**—**	8,110
	13,070	13,370

12 Available-for-sale financial assets

	Year ended 31 December 2016 RMB'000
At beginning of the year	**–**
Additions	**269,221**
Settlements	**(204,040)**
Gains recognized in the consolidated statement of comprehensive income (Note 25)	**7,466**
Net fair value changes recognized in equity (Note 16)	**3,472**
At end of the year	**76,119**

As at 31 December 2016, available-for-sale financial asset is HK$ denominated financial product with principal amount of HK$85,000,000 being guaranteed, and expected yield rate of 3% per annum. Its maturity date is within 1 year. The asset is neither past due nor impaired. The fair value of the asset is based on DCF approach and main input used by the Group is the expected yield rate provided by the counterparty. The fair value is within level 3 of the fair value hierarchy (Note 3.3).

13 Cash and cash equivalents and restricted cash

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	**1,967,259**	821,573
Less: Restricted cash (i)	**(9,555)**	(800)
Cash and cash equivalents	**1,957,704**	820,773

(i) As at 31 December 2016, restricted deposits of RMB2,237,000 (2015: RMB800,000) were held at bank as collateral for the bank borrowings (Note 18); RMB818,000 (2015: Nil) was held at bank for issuing letter of guarantee; and RMB6,500,000 (2015: Nil) was held at bank for the unsettled lawsuit as required by the court. Management is making assessment on the impact of the unsettled lawsuit and considers it will not have significant impact on the consolidated financial statements.

13 Cash and cash equivalents and restricted cash (continued)

Cash at bank and on hand are denominated in the following currencies:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	**1,064,668**	689,107
US$	**877,136**	129,743
HK$	**25,455**	2,723
	1,967,259	821,573

14 Share capital and premium

(a) Authorized shares

	Number of authorized shares
At 1 January 2015	500,000
At 31 December 2015	500,000
At 1 January 2016	**500,000**
Share subdivision (i)	**7,999,500,000**
At 31 December 2016	**8,000,000,000**

14 Share capital and premium (continued)

(b) Issued shares

	Number of issued shares	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2015	50,000	310	—	310
At 31 December 2015	50,000	310	—	310
At 1 January 2016	**50,000**	**310**	**—**	**310**
Share subdivision (i)	**799,950,000**	**—**	**—**	**—**
Issue of ordinary shares (ii)	**1,094,402,000**	**456**	**3,062,920**	**3,063,376**
Share issuance costs (ii)	**—**	**—**	**(166,684)**	**(166,684)**
Conversion of hybrid instruments (iii)				
— Convertible notes	**617,936,000**	**258**	**1,730,006**	**1,730,264**
— Redeemable convertible deemed preferred shares	**286,480,000**	**120**	**740,839**	**740,959**
— Redeemable convertible ordinary shares	**140,176,000**	**59**	**392,444**	**392,503**
At 31 December 2016	**2,938,994,000**	**1,203**	**5,759,525**	**5,760,728**

(i) On 15 July 2016, the par value of each share of the Company was changed from US$1 to US$0.0000625 by way of a 16,000-for-1 share subdivision.

(ii) On 15 July 2016, the Company issued 1,035,707,000 new ordinary shares of US$0.0000625 each at HK$3.25 per share in connection with its global offering and commencement of the Listing on the same date. The gross proceeds raised from the global offering is HK$3,366,047,750. The relevant portion of the transaction costs amounting to RMB163,254,000 was credited to the share capital and premium.

On 10 August 2016, an aggregate of 58,695,000 shares of the Company were issued at a price of HK$3.25 pursuant to the exercise of over-allotment option. The gross proceeds raised is HK$190,758,750. The related transaction costs of RMB3,430,000 was credited to the share capital and premium.

(iii) The convertible notes, redeemable convertible deemed preferred shares and redeemable convertible ordinary shares with total amount of US$437,557,000 were converted to 1,044,592,000 ordinary shares in total upon the Listing (Note 19).

15 Retained earnings

	Year ended 31 December 2016 RMB'000	2015 RMB'000
At beginning of the year	**1,831,347**	626,716
Profit for the year	**720,478**	1,205,365
Appropriation to statutory reserves (Note 16)	**(303)**	(734)
At end of the year	**2,551,522**	1,831,347

16 Other reserves

	Reorganization reserve RMB'000	Statutory reserves RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	10,461	1,866	—	12,327
Deemed contribution from Yupei Investment Management (Note 19.3) (ii)	—	—	139,716	139,716
Appropriation to statutory reserves (i)	—	734	—	734
At 31 December 2015	10,461	2,600	139,716	152,777
At 1 January 2016	**10,461**	**2,600**	**139,716**	**152,777**
Employee share option scheme — Value of employee service (Note 17)	**—**	**—**	**10,645**	**10,645**
Change in value of available-for-sale financial assets (Note 12)	**—**	**—**	**3,472**	**3,472**
Currency translation differences	**—**	**—**	**(355)**	**(355)**
Appropriation to statutory reserves (i)	**—**	**303**	**—**	**303**
At 31 December 2016	**10,461**	**2,903**	**153,478**	**166,842**

16 Other reserves (continued)

(i) Pursuant to the Company Law of the PRC and the articles of association of certain PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their registered capital; after the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand operations, or to increase the capital of the respective companies. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

(ii) It represents the contribution from Yupei Investment Management, the parent company, arising from the prepayable loans with RRJ Sherlock and SeaTown (Note 19.3).

17 Share-based payments

On 10 March 2016, the Company adopted a share option scheme whereby the Board can grant options for the subscription of the Company's shares to the directors, employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group.

Pursuant to the share option scheme, the Company granted options to subscribe for an aggregate of 989 shares on 21 March 2016 and 28 March 2016 to certain directors and employees, which was subsequently automatically adjusted to 15,824,000 shares upon the 16,000-for-1 share subdivision on 15 July 2016. The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These options vest in tranches over a period of up to 3 years.

The options are exercisable during the following periods, during which the employees should remain in the Group's employment.

(i) 30% on the first anniversary of Listing;

(ii) 30% on the second anniversary of Listing;

(iii) 40% on the third anniversary of Listing.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK$ per share	**Number of options**
As at 1 January 2016	**—**	**—**
Granted	**1.625**	**989**
Subdivision	**—**	**15,823,011**
As at 31 December 2016	**1.625**	**15,824,000**

Share options outstanding at 31 December 2016 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK$ per share	Number of options
21 March 2021	1.625	12,832,000
28 March 2021	1.625	2,992,000

17 Share-based payments (continued)

The total fair value, which was determined by using Binomial model, of the options granted under the share option scheme as at the grant date is approximately HK$33,708,000 (equivalent to RMB28,087,000).

	Granted on 21 March 2016 and 28 March 2016
Exercise price	**HK$1.625**
Expected volatility	**47.62%**
Expected dividend yield	**0.00%**
Risk free rate	**0.90%**

The expected volatility is determined by calculating the historical volatility of the price of listed companies with businesses similar to the Group. The expected dividend yield is determined by the directors based on the expected future performance and dividend policy of the Group.

The share option expense charged to the consolidated statement of comprehensive income during the year ended 31 December 2016 was approximately HK$12,775,000 (equivalent to RMB10,645,000).

18 Borrowings

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
– secured by assets (a)	**2,536,954**	1,029,807
– secured by assets and equity interest of certain subsidiaries (b)	**445,525**	—
Long-term borrowings from other financial institutions		
– secured by shares of subsidiary guarantors (c)	**652,944**	—
– unsecured	**1,387,400**	—
	5,022,823	1,029,807
Less: Long-term bank borrowings due within one year	**(390,231)**	(95,422)
	4,632,592	934,385
Current		
Short-term Bank borrowings		
– secured by assets (a)	**213,623**	549,269
Current portion of long-term borrowings	**390,231**	95,422
	603,854	644,691
Total borrowings	**5,236,446**	1,579,076

18 Borrowings (continued)

(a) As at 31 December 2016, secured bank borrowings of RMB2,389,954,000 (2015: RMB1,303,145,000) were secured by the investment properties of the Group amounting to RMB8,840,000,000 (2015: RMB5,289,000,000) (Note 7).

As at 31 December 2016, secured bank borrowings of RMB110,000,000 (2015: RMB188,306,000) were secured by the investment properties of the Group amounting to RMB573,000,000 (2015: RMB702,000,000) (Note 7), and secured by restricted deposits of the Group amounting to RMB2,237,000 (2015: RMB800,000) (Note 13), respectively.

As at 31 December 2016, secured bank borrowings of RMB250,623,000 (2015: Nil) were secured by the investment properties of the Group amounting to RMB1,029,000,000 (2015: Nil) (Note 7), and secured by the rental income generated from the lease of the investment properties during the terms of the borrowings (2015: Nil) (Note 11), respectively.

As at 31 December 2015, secured bank borrowings of RMB87,625,000 were secured by the investment properties of the Group amounting to RMB304,000,000 (Note 7), and guaranteed by Mr. Li (Note 35). The guarantee provided by Mr. Li was released in January 2016.

(b) As at 31 December 2016, secured bank borrowings of RMB445,525,000 were secured by the investment property of the Group amounting to RMB885,000,000 and the Group's equity interests in certain subsidiaries (2015: Nil).

(c) On 27 June 2016, the Company entered into two legally binding commitment letters with two financial institutions, each an independent third party, for debt facilities of up to US$100,000,000 in aggregate for the purposes of repaying the credit facility to Credit Suisse AG, Singapore Branch ("Credit Suisse Singapore") (Note 19.3), the development of additional logistics facilities in the future and other general corporate purposes. The debt facilities were drawn down on 15 July 2016, bearing coupon rate of 8% per annum and payable semiannually. The debt facilities will be due on the third anniversary of the day the Company draws down the facilities at 106.8% of the outstanding principal amount and the Company has an early repayment option, exercisable up to 18 months after the Company draws down the facilities, subject to a premium. The debt facilities are subject to a number of customary covenants and are guaranteed by the Group's offshore subsidiaries and secured by pledge over their shares.

The fair value of current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of borrowings with similar credit risk within level 2 of the fair value hierarchy.

18 Borrowings (continued)

At 31 December 2016 and 2015, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	**3,196,102**	1,277,250
US$	**2,040,344**	301,826
	5,236,446	1,579,076

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Floating rate:		
– Expiring within one year	**31,378**	132,000
– Expiring over one year	**128,000**	—
Fixed rate:		
– Expiring over one year	**130,000**	—
	289,378	132,000

These undrawn borrowing facilities are secured by the Group's investment properties as disclosed above.

These facilities have been arranged to help finance the construction of investment properties.

18 Borrowings (continued)

As at 31 December 2016 and 2015, the Group's borrowing were repayable as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**603,854**	644,691
Between 1 and 2 years	**515,608**	104,856
Between 2 and 5 years	**3,272,664**	449,063
Over 5 years	**844,320**	380,466
	5,236,446	1,579,076

As at 31 December 2016, borrowings of RMB2,090,345,000 (2015: RMB89,927,000), bear fixed interest rates and the remaining borrowings bear floating interest rates.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
6 months or less	**1,794,775**	1,427,987
6 months to 12 months	**1,001,370**	151,089
1 year to 5 years	**2,440,301**	—
	5,236,446	1,579,076

The weighted average interest rate of the Group's borrowings was 7.4% for the year 2016 (2015: 5.3%).

19 Financial instruments by category

	As at 31 December	
	2016	2015
	Audited	Audited
	RMB'000	RMB'000
Non-current		
Convertible notes	**–**	2,109,667
Redeemable convertible deemed preferred shares	**–**	1,695,641
Prepayable loans	**–**	1,650,900
Redeemable convertible ordinary shares	**–**	334,265
	–	5,790,473
Current		
Prepayable loans	**–**	–
	–	5,790,473

19.1 Convertible note

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
At 1 January	**2,109,667**	1,064,247
Issuance	**–**	612,951
Payment of interest	**–**	(10,253)
Fair value change	**(379,403)**	442,722
Conversion	**(1,730,264)**	–
At 31 December	**–**	2,109,667

On 4 April 2014, the Company entered into an Initial Note Purchase Agreement with RRJ Berkeley, and on 25 April 2014 entered into the 2014 Note with RRJ Berkeley and SeaTown, respectively. The 2014 Note has a principal of US$150,000,000 (approximately RMB923,787,000), and a maturity period of 4 years, bearing an interest rate of 10% per annum.

19 Financial instruments by category (continued)

19.1 Convertible note (continued)

Also in the Initial Note Purchase Agreement, RRJ Berkeley and SeaTown wrote an option to the Company to further issue additional note. In the event that the proceeds from investments made to the Group companies are fully or substantially utilised, at the request of the Company, RRJ Berkeley and SeaTown agree to purchase, and the Company agrees to issue and sell to RRJ Berkeley and SeaTown, a convertible note, i.e. the 2015 Note, in a principal amount of US$100,000,000 on the same terms and conditions as 2014 Note, and the 2015 Note thereof subject to certain adjustment (the "Call Option").

On 26 January 2015, for the purpose of exercising its Call Option to further issue additional note as specified in the Initial Note Purchase Agreement, the Company entered into a Note Purchase Agreement with RRJ Berkeley. On 10 February 2015, immediately before the issuance of the additional note, the Company, RRJ Berkeley and SeaTown made a modification to the 2014 Note on the automatic conversion rate and the optional conversion rate. On the same day, the Company entered into the 2015 Note with RRJ Berkeley and SeaTown respectively. The 2015 Note has a principal of US$100,000,000 (approximately RMB612,951,000), and a maturity period of four years, bearing an interest rate of 10% per annum.

On 5 February 2016, the Company entered into amended and restated convertible promissory notes with RRJ Berkeley and SeaTown, respectively, which amend and restate, in their entirety, the 2014 Note (the "Amended and Restated 2014 Note") and 2015 Note (the "Amended and Restated 2015 Note") (together the "Amended and Restated Notes").

The Amended and Restated 2014 Note and the Amended and Restated 2015 Note has a principal of US$150,000,000 and US$100,000,000, respectively, and will be matured by 25 April 2018 and 10 February 2019 respectively, bearing an interest rate of 10% per annum.

The key features of the 2014 Note and 2015 Note, and the key modifications are as follows:

(a) Redemption

Redemption upon event of default

Upon the occurrence of any event of default, the Company shall pay to RRJ Berkeley and SeaTown a cash amount equal to the redemption price (the "RRJ Berkeley and SeaTown Redemption Price"), which is the sum of the outstanding principal amount plus all accrued and unpaid interest, and an additional amount to enable the RRJ Berkeley and SeaTown to achieve an IRR of 20%.

19 Financial instruments by category (continued)

19.1 Convertible note (continued)

(a) Redemption (continued)

Redemption upon IPO

By written notice delivered to the Company at least ten (10) business days prior to the A1 submission date, the RRJ Berkeley and SeaTown shall be entitled to, upon the consummation of a qualified IPO, in lieu of receiving the conversion shares and cash (if any) pursuant to Note 19.1(c), receive the RRJ Berkeley and SeaTown Redemption Price.

Early redemption (only applicable to the Amended and Restated Notes)

In the event that the Company has not consummated a qualified IPO within six months following the A1 submission date (the "A1 Expiry Date"), RRJ Berkeley and SeaTown shall have the right at their option at any time from the A1 Expiry Date to require the Company to redeem the Amended and Restated Notes at the RRJ Berkeley and SeaTown Redemption Price.

(b) Liquidation

Upon any liquidation, dissolution or winding up of the Company, the Company shall pay to RRJ Berkeley and SeaTown a cash amount equal to the higher of (a) the RRJ Berkeley and SeaTown Redemption Price, and (b) the cash amount RRJ Berkeley and SeaTown would be entitled to receive as shareholders of the Company had RRJ Berkeley and SeaTown converted the entire outstanding principal amount plus all accrued and unpaid interest to a number of ordinary shares of the Company representing 36.8333%, and 5.6667% respectively of the total issued share capital of the Company on a fully-diluted, as-converted base.

(c) Conversion (modified in the Amended and Restated Notes)

Under the 2014 Note and 2015 Note, RRJ Berkeley and SeaTown may, at any time before the 2014 Note and 2015 Note maturity date, convert the entire outstanding principal amount of the 2014 Note and 2015 Note plus the accrued and unpaid interest thereon into a number of ordinary shares of the Company representing 36.8333% and 5.6667% respectively of the outstanding voting securities of the Company on a fully-diluted, as-converted basis. This optional conversion feature together with the automatic conversion features of 2014 Note and 2015 Note have been modified in the amended and restated convertible promissory notes.

The Amended and Restated Notes shall be automatically converted into ordinary shares at the same time of the Company issuing ordinary shares to investors in connection with the qualified IPO and the RRJ Berkeley and SeaTown shall receive the number of fully paid and non-assessable shares of ordinary shares equal to (i) the Conversion Amount divided by (ii) the Conversion Price then in effect.

19 Financial instruments by category (continued)

19.1 Convertible note (continued)

(c) Conversion (modified in the Amended and Restated Notes) (continued)

(i) Conversion Price. The initial conversion price, as may be adjusted as further described below, is US$9,925.3613 per ordinary share. Such initial conversion price would result in the conversion of the Amended and Restated Notes into 25,188 ordinary shares, which, calculated on a fully-diluted basis as of the date hereof, would represent 33.5% of the total issued share capital of the Company as of such date and time of conversion.

(ii) Conversion Price Adjustment. In the event that the Company issues ordinary shares to any person other than RRJ Berkeley and SeaTown before the conversion, the Conversion Price shall be adjusted to ensure RRJ Berkeley and SeaTown's shareholding percentage in the Company remain unchanged.

Upon the conversion of the Amended and Restated Notes into ordinary shares of the Company prior to or on 31 December 2016, all interest accrued and unpaid shall be forgiven. Notwithstanding anything contained herein to the contrary, any accrued and unpaid interest shall not be convertible into ordinary shares in connection with the conversion.

The Group has designated the 2014 Note and 2015 Note as financial liabilities at fair value through profit or loss. The entire convertible notes are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the year in which they arise. The Call Option of the 2014 Note is derivative in nature. Part of the consideration from the issuance of the 2014 Note shall be allocated to the Call Option, and the Call Option shall be recognized and measured at fair value separately, both initially and subsequently.

The modification of the 2014 Note on 10 February 2015 was not regarded as an extinguishment of the 2014 Note. The difference between the carrying amount of 2014 Note immediately before and after the modification was recognized in the consolidated statement of comprehensive income.

The convertible notes with total amount of US$258,814,000 were converted into 617,936,000 ordinary shares upon the Listing on 15 July 2016.

19 Financial instruments by category (continued)

19.2 Redeemable convertible deemed preferred shares

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
At 1 January	**1,695,641**	869,271
Issuance	**—**	447,683
Fair value change	**225,527**	378,687
Redemption	**(1,119,508)**	—
Conversion	**(801,660)**	—
At 31 December	**—**	1,695,641

On 18 June 2013, Yupei Parties entered into a Framework Contract with Carlyle. Pursuant to the Framework Contract, Carlyle wishes to invest in the Project Companies in the 2 years investment period, starting from 18 June 2013, and to provide shareholder loans to Project Companies.

The detailed contract terms and the key features are analyzed below:

(a) **Liquidation**

Upon liquidation of the Project Companies, before any distribution or payment to be made to the parent companies of the Project Companies, Carlyle shall be entitled to receive an amount equal to 112% of its investment principal amount. After that, any remaining assets shall be paid to the parent companies of the Project Companies to entitle the parent companies to receive an amount equal to 112% of its investments in the Project Companies. And then, any remaining assets shall be distributed rateably between the parent companies of the Project Companies and Carlyle based on their shareholding percentage.

The following events shall be treated as liquidation: Sale of the substantially all of the assets of the Project Companies; and Drag-Along sale of Carlyle's equity interests in the Project Companies to third parties.

19 Financial instruments by category (continued)

19.2 Redeemable convertible deemed preferred shares (continued)

(b) Redemption

Redemption upon maturity of investment period

The investment period is 2 years commencing from 18 June 2013, the date of signing the Framework Contract, during which, the total investment amount shall reach to US$200 million or Yupei Parties shall provide Carlyle with at least 17 Project Companies for investment, otherwise Carlyle has the right to request Yupei Parties to redeem the entire investment amount at a price entitle Carlyle to receive an after-tax IRR of 12% on any date before the maturity of the investment period.

The maturity of the investment period was expired on 17 June 2015. The Yupei Parties provided Carlyle 18 Project Companies in total with investment amount of US$ 201 million.

Redemption upon event of default

Upon the occurrence of any event of default, Carlyle may request Yupei Parties redeem all or a portion of its investments and shareholder loans in the Project Companies. The redemption price shall be the total investment and shareholder loan principal amount plus interest accrued at the after-tax IRR of 20%.

Redemption upon IPO

The Company needs to complete a qualified IPO, as defined in the Framework Contract, after 4.5 years from the date of entering into the Framework Contract, i.e. 18 June 2013. Upon confirming the engagement of the IPO sponsors and underwriters, Carlyle has the choice to require Yupei Parties redeem its entire investments in the Project Companies and shareholder loans plus accrued and unpaid interest.

This term has been modified on 28 February 2016 pursuant to a share sale and purchase agreement (the “SPA”) entered into between the Company and Carlyle (Note 19.2(d)).

(c) Conversion

Upon confirming the engagement of the IPO sponsors and underwriters, Carlyle also has the choice to convert its entire investments in the Project Companies and shareholder loans plus accrued and unpaid interest into a number of ordinary shares of the Company.

This term has been modified on 28 February 2016 pursuant to the SPA entered into between the Company and Carlyle (Note 19.2(d)).

19 Financial instruments by category (continued)

19.2 Redeemable convertible deemed preferred shares (continued)

(d) Modification on redeemable convertible deemed preferred shares

On 28 February 2016, the Company entered into a SPA with Carlyle, pursuant to which Carlyle shall sell and the Company shall purchase from Carlyle the investments in the 18 Project Companies on the First Dealing Date, the date on which dealings in the shares of the Company first commence on the Stock Exchange of Hong Kong Limited (the "SPA Closing"). The purchase price has been predetermined and shall be paid by the Company as:

(i) immediately prior to the consummation of the qualified IPO, the Company shall at SPA Closing issue the number of ordinary shares of the Company in the amount equal to the quotient ("Carlyle Consideration Shares") obtained by dividing (x) the HK$ equivalent of US$120,000,000 by (y) the final initial public offering price per ordinary share of the Company in the qualified IPO; and

(ii) upon the consummation of the qualified IPO but in any event on the First Dealing Date, the Company shall pay Carlyle an amount of the purchase price less US$120,000,000, being the value of the Carlyle Consideration Shares as of the date of consummation of the qualified IPO.

On the same day, the Company and Yupei Parties entered into a consent agreement with Carlyle. Each of the Yupei Parties, the Company and Carlyle agree that, upon the occurrence of the qualified IPO, the Framework Contrat signed on 18 June 2013 shall be forthwith terminated. The agreement shall automatically terminate and cease to have any effect if the SPA Closing has not occurred by 30 September 2017.

The investment made by Carlyle as Yupei Parties' joint venture partner was accounted for as redeemable convertible deemed preferred shares instead of non-controlling interests at the Project Companies, primarily because (i) the conditions triggering the customary exit rights are beyond Yupei Parties' control; and (ii) the amounts payable by Yupei Parties in terms of an exercise of such exits rights are determined with reference to a predetermined investment return provided in the Framework Contract.

Considering the relevant terms of the Framework Contract and the relevant accounting standards, notwithstanding each of the Project Companies treats the capital investment made by Carlyle as an equity instrument in its individual financial statements, these capital investments should not be treated as non-controlling interests, but classified as financial liabilities in the Group's consolidated financial statements.

The Group has designated the redeemable convertible deemed preferred shares as financial liabilities at fair value through profit or loss. The entire redeemable convertible deemed preferred shares are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statements of comprehensive income in the year in which they arise.

The redeemable convertible deemed preferred shares with amount of US$167,600,000 were redeemed by cash and amount of US$120,000,000 were converted into 286,480,000 ordinary shares at the conversion price of HK$3.25 per share upon the Listing on 15 July 2016.

19 Financial instruments by category (continued)

19.3 Prepayable loans

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
At 1 January	**1,650,900**	—
Issuance	**—**	1,390,317
Payment of interest	**(42,761)**	(38,750)
Fair value change	**210,335**	299,333
Repayment	**(1,818,474)**	—
At 31 December	**—**	1,650,900

On 20 April 2015, the Company entered into 2015 Loan with RRJ Sherlock and SeaTown, and the Founder Parties. Pursuant to the Loan Agreements, the Company borrowed an aggregated principal amount of US$225,000,000 (approximately RMB1,377,045,000) and US$25,000,000 (approximately RMB152,988,000) from RRJ Sherlock and SeaTown respectively, which have a maturity period of 2 years, bearing an interest rate of 12% per annum. Thereafter, SeaTown entered into a Loan Participation Agreement with Moussedragon on 19 August 2015, pursuant to which, SeaTown granted to Moussedragon a participation in part of the 2015 Loan with amount of US$5,000,000 in exchange for US$5,000,000.

On 5 February 2016, the Company entered into amended and restated loan agreements with RRJ Sherlock and SeaTown, and the Founder Parties (the "Amended and Restated Loan Agreement"), pursuant to which terms on the 2015 Loan have been amended and restated (the "Amended and Restated Loan"). Under the Amended and Restated Loan Agreeement, the principal amount of the loan borrowed from RRJ Sherlock and SeaTown is US$225,000,000 and US$25,000,000, respectively. The Amended and Restated Loans will be matured on 28 May 2017 and bear an interest rate of 12% per annum.

Certain key features of the 2016 Loan and the key modifications are as follows:

(a) **Optional prepayment**

The Company may prepay the loan in whole or in part, provided that, the principal amount of the loan being prepaid shall be an amount equals to twenty percent (20%) of the principal amount or its integral multiples. Each prepayment of principal on the loan under shall be accompanied by payment of an interest (the "Prepayment Interest") that equals to the accrued and unpaid interest as of the date of the prepayment (the "Prepayment Date"). Provided, however, that in the event that the Prepayment Date falls on a date that is prior to the first (1st) anniversary of the borrowing date, the Prepayment Interest shall be calculated as if the prepayment were made on the date that is the first (1st) anniversary of the borrowing date.

19 Financial instruments by category (continued)

19.3 Prepayable loans (continued)

(b) Redemption

Redemption upon event of default

Upon the occurrence of any event of default, RRJ Sherlock, SeaTown and Moussedragon may declare all sums of interest and principal remaining on the loan and all other sums outstanding under or in respect of the loan agreement to be immediately due and payable.

Redemption upon IPO (only applicable to the Amended and Restated Loan)

In the event that (i) an IPO has consummated on or prior to the maturity date, and (ii) the Company fails to repay any outstanding principal amount and all accrued and unpaid interest in full to RRJ Sherlock, SeaTown and Moussedragon within 10 days after the closing date of the IPO (the "IPO Repayment Date"), such outstanding principal amount and all accrued and unpaid interest shall accrue interest daily, at a rate of twenty percent (20%), from the IPO Repayment Date to the date on which such outstanding amount is repaid in full by the Company.

(c) Contribution from Yupei Investment Management

On the borrowing date, Yupei Investment Management shall sell and transfer to RRJ Sherlock and SeaTown an aggregate of 810 and 90 fully paid and non-assessable ordinary shares (the "Consideration Shares"), standing for 1.62% and 0.18% ordinary shares of the Company with a par value of US$1 per share, for an aggregate purchase price of US$1. Further, pursuant to the Loan Participation Agreement, SeaTown sells to Moussedragon 18 Consideration Shares, standing for 0.036% ordinary shares of the Company, for an aggregate price of US$18.

(d) Guarantee from the Founder Parties

In the event that an IPO has not consummated on or prior to the maturity date, RRJ Sherlock, Seatwon and Moussedragon have the right to require the Founder Parties to purchase all of the Consideration Shares at an aggregate price equal to an amount (the "Purchase Price") such that the sum of the Purchase Price shall enable RRJ Sherlock, SeaTown and Moussedragon to achieve an IRR of at least 20% in respect of the principal amount.

The optional prepayment embedded is not closely related to the host debt, and therefore is a derivative liability and shall be bifurcated from the host debt unless the whole instrument is designated by the Company as at fair value through profit or loss. The Group has designated the 2015 Loan as financial liabilities at fair value through profit or loss. The entire prepayable loans are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the year in which they arise.

19 Financial instruments by category (continued)

19.3 Prepayable loans (continued)

Associated with the issuance of the 2015 Loan, Investment Management transfers the Consideration Shares to RRJ Sherlock, SeaTown and Moussedragon at a nominal amount (i.e. US$1). As Yupei Investment Management held 100% of the outstanding ordinary shares of the Company immediately before the issuance of the 2015 Loan, the substance indicates that Yupei Investment Management made equity contributions to the Company. And also the Founder Parties guarantee RRJ Sherlock, SeaTown and Moussedragon an IRR of the prepayable loan being not less than 20% in the event that an IPO has not consummated on or prior to the maturity date. There's no guarantee from the Group in respect of the purchase obligation of the Founder Parties. Therefore, the Founder Parties' guarantee could be viewed as an option written to RRJ Sherlock, SeaTown and Moussedragon to guarantee the value of Consideration Shares by making compensation for the repurchasing to ensure the IRR of not being less than 20%. As a result, the aggregate fair value of the Consideration Shares and the written put option on the borrowing date minus the nominal amount received would be deemed as equity contribution to the Company by the Founder Parties and are recorded in "Other reserve" on the consolidated balance sheet.

On 27 June 2016, the Company entered into a legally binding facility agreement with Credit Suisse Singapore for a credit facility of up to US$300 million for the purpose of repaying the Amended and Restated Loan with RRJ Sherlock and SeaTown prior to the Listing. The banking facility bears an interest rate of Libor+4.5% per annum and is available for utilization prior to the Listing. The banking facility was subsequently used to repay the principal amount as well as the accrued and unpaid interest of the prepayable loans with total amount of US$271,856,000 prior to the Listing on 15 July 2016.

19.4 Redeemable convertible ordinary shares

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
At 1 January	**334,265**	—
Issuance	**—**	299,447
Fair value change	**58,238**	34,818
Conversion	**(392,503)**	—
At 31 December	**—**	334,265

On 11 March 2015 and 18 May 2015, Yuji Parties entered into an Investment Agreement and a supplementary agreement with FD Insurance, respectively, pursuant to which, FD Insurance wishes to invest in one of the project subsidiaries of the Company, Yupei East China Logistics with investment amount of US$48,150,500 (approximately RMB299,446,000).

19 Financial instruments by category (continued)

19.4 Redeemable convertible ordinary shares (continued)

The detailed contract terms and the key features are analyzed below:

(a) **Redemption**

Upon the occurrence of any event of default, FD Insurance may request Yuji Parties redeem all or a portion of its investments in Yupei East China Logistics. The redemption price shall be the total investment amount plus interest accrued at the after-tax IRR of 20%.

(b) **Conversion**

The Company needs to complete a qualified IPO on or before 18 December 2017. Upon confirming the engagement of the IPO sponsors and underwriters, FD Insurance needs to convert its entire investments in Yupei East China Logistics into a number of ordinary shares of the Company equal to the quotient obtained by dividing (x) the redemption price, which is the sum of the outstanding investment and an additional amount to enable FD Insurance to achieve an after-tax IRR of 18%, by (y) the Per Share IPO Price.

The Group has designated the redeemable convertible ordinary shares as financial liabilities at fair value through profit or loss. The entire redeemable convertible ordinary shares are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the year in which they arise.

The redeemable convertible ordinary shares with total amount of US$58,716,000 were converted to 140,176,000 ordinary shares at the conversion price of HK$3.25 per share upon the Listing on 15 July 2016.

20 Deferred income

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At 1 January	**–**	4,331
Additions	**21,317**	121,035
Credit to the consolidated statement of comprehensive income (Note 24)	**(21,317)**	(121,035)
Disposal of a subsidiary	**–**	(4,331)
At 31 December	**–**	–

These mainly represent government grants received from certain municipal government of the PRC as an encouragement for the Group's construction of investment properties.

21 Long-term payables

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Rental deposits	**27,612**	19,794

22 Trade and other payables

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Payables for construction costs	**262,915**	424,631
Interest payable	**74,817**	2,467
Advances from customers	**30,045**	12,268
Accrued operating expenses	**16,281**	1,975
Other taxes payable	**15,924**	9,769
Deposits	**11,653**	7,034
Payables for listing expenses	**4,485**	17,458
Employee benefit payables	**3,372**	1,800
Advance from a related party (Note 35)	**283**	—
Amounts due to a related party (Note 35)	**—**	12,300
Consideration payable for business combination	**—**	373
Others	**2,662**	2,566
	422,437	492,641

22 Trade and other payables (continued)

At 31 December 2016 and 2015, the ageing analysis of payables for construction costs based on the dates that the Group had the payment obligation for the construction costs, was as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Up to 1 year	**237,868**	422,098
1 year to 2 years	**23,745**	2,221
Over 2 years	**1,302**	312
	262,915	424,631

23 Revenue

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Rental income and revenue from providing management services	**270,861**	163,238

24 Other income

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Asset related government grants (Note 20)	**21,317**	121,035
Income related government grants	**3,973**	4,808
Other	**642**	—
	25,932	125,843

25 Other gains — net

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Gain from disposal of available-for-sale financial assets (Note 12)	**7,466**	—
Contract termination compensation	**(2,640)**	—
Disposal of auxiliary facilities of investment properties	**(1,349)**	—
Donations	**(402)**	
Negative goodwill	**—**	171,642
Net gains from disposal of subsidiaries	**—**	590
Others	**(2,278)**	(391)
	797	171,841

26 Expenses by nature

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Tax charges	63,197	39,472
Listing expenses	36,818	17,554
Employee benefit expenses — including directors' emoluments (Note 27)	41,030	24,925
Maintenance and repairing costs	22,402	9,106
Professional fees	6,948	10,694
Leasing commission	6,946	6,004
Travelling expenses	4,989	3,881
Auditor's remuneration		
— Audit services	3,400	880
— Non-audit services	1,200	—
Utilities and office expenses	3,027	2,140
Leasing fees	2,309	3,045
Depreciation of property, plant and equipment (Note 6)	1,465	997
Entertainment expenses	1,214	1,076
Bank charges	379	284
Pre-IPO private placement commission fee	—	7,440
Other expenses	6,680	3,562
Total cost of sales, selling and marketing expenses and administrative expenses	**202,004**	131,060

27 Employee benefit expenses

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries, wages and bonuses	**25,459**	21,271
Employees share option expenses (Note 17)	**10,645**	—
Pension, housing fund, medical insurance and other social insurance	**4,926**	3,654
Total employee benefit expense	**41,030**	24,925

(a) Five highest paid individuals

During the years ended 31 December 2016 and 2015, the five highest paid individuals include four directors of the Company, whose emoluments are reflected in the analysis presented in Note 38. The emoluments payable to the remaining one individual during the years ended 31 December 2016 and 2015 are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries, wages and bonuses	**967**	830
Pension, housing fund, medical insurance and other social insurance	**—**	55
Total employee benefit expense	**967**	885

For the year ended 31 December 2016, no emoluments were paid by the Group to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in RMB)		
RMB500,001–RMB1,000,000	**1**	1

28 Finance (expenses)/income — net

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Finance expenses		
Interest on bank borrowings	**(141,867)**	(65,366)
Interest on advances from related parties (Note 35(g))	**—**	(15,395)
Interest on borrowings from other financial institutions	**(93,995)**	—
	(235,862)	(80,761)
Less: Capitalization of interest	**125,015**	53,848
Net interest expense on borrowings	**(110,847)**	(26,913)
Net exchange losses	**(30,456)**	—
Less: Capitalization of exchange losses	**7,004**	—
	(134,299)	(26,913)
Finance income		
Interest income on bank deposits	**7,529**	11,518
Net exchange gains	**—**	36,016
	7,529	47,534
Net finance (expenses)/income	**(126,770)**	20,621

29 Income tax expense

PRC profits tax has been provided at the rate of 25% on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current income tax	**4,787**	17,070
Deferred income tax (Note 9)	**307,948**	658,689
Income tax expense	**312,735**	675,759

(i) Cayman Islands profits tax

The Company has not been subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% for the year.

(iii) PRC corporate income tax ("CIT")

CIT is provided on the assessable income of entities within the Group incorporated in the PRC.

(iv) PRC withholding income tax

According to the new CIT Law, a 10% withholding income tax will be levied on the immediate holding companies established outside the PRC. A lower withholding income tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies.

29 Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before tax	**1,033,213**	1,881,124
Tax calculated at domestic tax rates applicable to profits in the respective countries	**303,803**	700,461
Tax effects of:		
— Expenses not deductible for tax purpose	**823**	316
— Income not subject to tax	**(927)**	(1,130)
— Tax losses for which the deferred income tax asset was not recognized (Note 9)	**9,806**	19,496
— Utilization of previously unrecognized tax losses	**(770)**	(474)
— Negative goodwill arising from business combination not subject to tax	**—**	(42,910)
Tax charge	**312,735**	675,759

During the year ended 31 December 2016, the effective tax rate is 30.3% (2015: 35.9%).

30 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2016 and 2015, the 16,000-for-1 share subdivision effective on 15 July 2016 (Note 14(i)) have been accounted for as if it had been completed on 1 January 2015.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**720,478**	1,205,365
Weighted average number of ordinary shares in issue	**1,786,845,742**	800,000,000
Basic earnings per share (RMB per share)	**0.4032**	1.5067

30 Earnings per share (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Year ended 31 December	
	2016	2015
Profit attributable to equity owners of the Company (RMB'000)	**720,478**	1,205,365
Add: fair value changes of the convertible note (Note 19.1)	**–**	442,722
	720,478	1,648,087
Weighted average number of ordinary shares in issue	**1,786,845,742**	800,000,000
Adjustment for shares granted under share option scheme	**2,306,435**	–
Adjustment for shares granted under the convertible note	**–**	591,304,348
Weighted average number of ordinary shares for diluted earnings per share	**1,789,152,177**	1,391,304,348
Diluted earnings per share (RMB per share)	**0.4027**	1.1846

31 Dividends

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2016.

32 Cash generated from operations

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	1,033,213	1,881,124
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	1,465	997
– Fair value gains on investment properties – net	(1,102,592)	(2,669,987)
– Fair value losses on hybrid instruments – net	114,697	1,155,561
– Gain from disposal of available-for-sale financial assets	(7,466)	–
– Amortization of intangible asset	28	5
– Amortization of land use rights	–	26
– Gains on disposal of subsidiaries (Note 25)	–	(590)
– Losses on disposal of auxiliary facilities of investment properties (Note 25)	1,349	–
– Losses on disposal of property, plant and equipment (Note 6)	–	10
– Share-based payment (Note 17)	10,645	–
– Finance expenses – net (Note 28)	140,984	22,420
– Share of results of associated companies (Note 8)	(76,502)	(16,215)
– Negative goodwill (Note 25)	–	(171,642)
– Government grant (Note 24)	(21,317)	(121,035)
Changes in working capital		
– Trade and other receivables	(8,683)	(25,367)
– Trade and other payables	50,556	(26,621)
Cash generated from operations	136,377	28,686

33 Subsidiaries

Particulars of the major subsidiaries of the Group as at 31 December 2016:

(i) Subsidiaries — established in the PRC

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Shanghai Yupei	12 June 2000	Private enterprise	336,275	336,275	100%	100%	Construction of storage facilities related to warehousing service
Shanghai Yupei Investment Management Co., Ltd.	19 November 2003	Private enterprise	10,000	10,000	100%	100%	Investment management (except for equity investment and investment management)
Tianjin Yupei Warehousing Co., Ltd.	27 March 2014	Private enterprise	110,000	110,000	100%*	51%*	Warehousing services, warehouse leasing, logistics, development and construction of warehousing facilities
Hefei Yuhang Warehousing Co., Ltd.	13 May 2014	Private enterprise	50,000	50,000	100%*	51%*	Warehousing services, warehouse leasing
Wuhu Yupei Investment	13 November 2013	Private enterprise	100,000	100,000	100%	100%	Investment management, project investment, enterprise management consulting
Chuzhou Yuhang Logistics Co., Ltd.	27 August 2007	Private enterprise	50,000	50,000	100%*	51%*	Cargo warehousing, cargo agents, stowage loading and unloading and related business advisory service
Shenyang Yupei Warehousing Co., Ltd.	28 February 2012	Private enterprise	50,000	50,000	100%*	51%*	Self-owned buildings leasing, warehousing services (excluding hazardous chemicals)

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Shenyang Yuhang Logistics Co., Ltd.	25 March 2011	Private enterprise	90,000	90,000	100%*	51%*	Self-owned buildings leasing, warehousing services (Excluding inflammable and explosive hazardous chemicals)
Wuhan Yupei Warehousing Co., Ltd.	2 August 2011	Private enterprise	66,000	66,000	100%*	51%*	Warehousing services, cargo transportation consulting services
Beijing Linhaitan Trading Co., Ltd.	31 July 2006	Private enterprise	140,000	140,000	100%*	51%*	Warehousing, Sales of building materials
Wuhu Yupei Warehousing Co., Ltd.	7 March 2013	Private enterprise	80,000	80,000	100%*	51%*	General cargo warehousing facilities rental, general cargo warehousing (except hazardous chemicals)
Changchun Yupei Warehousing Co., Ltd.	24 December 2013	Private enterprise	70,450	70,450	100%*	51%*	Warehousing, house lease, property development and management
Suzhou Yupei Warehousing Co., Ltd.	30 October 2012	Private enterprise	179,000	179,000	100%*	51%*	Construction and management of storage facilities, property management
Zhengzhou Yupei Warehousing Co., Ltd.	28 February 2014	Private enterprise	130,000	130,000	100%*	51%*	Warehousing services
Anhui Yupei Business Management Co., Ltd.	3 April 2014	Private enterprise	10,000	1,583	100%	100%	Logistics management and enterprise management service and related technical advisory

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Jiangmen Yupei Logistics Assets Co., Ltd.	31 July 2014	Private enterprise	92,000	–	**100%**	100%	Warehousing services, construction and management of storage facilities, logistics information consulting and related supporting services
Jiaxing Yupei Warehousing Co., Ltd.	11 July 2014	Private enterprise	308,540	193,783	**100%***	51%*	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistic information consulting services
Jinan Yupei Warehousing Service Co., Ltd.	6 August 2014	Private enterprise	70,000	36,500	**100%**	100%	Warehousing services, self-owned building leasing, logistic information consulting services
Nantong Yupei Warehousing Co., Ltd.	19 September 2014	Private enterprise	123,850	48,000	**100%***	51%*	Warehousing services, management of storage facilities and other services, logistic information consulting services
Tianjin Yupei Logistics Co., Ltd.	16 September 2014	Private enterprise	185,570	95,000	**100%**	100%	Warehousing services, management of storage facilities and other services, logistic information consulting services

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Suzhou Yuqing	10 October 2014	Private enterprise	200,000	200,000	100%*	51%*	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services
Changzhou Yupei Warehousing Co., Ltd.	8 October 2014	Private enterprise	245,000	90,000	100%	100%	Warehousing management and related consulting and services
Huai'an Yupei Warehousing Co., Ltd.	31 October 2014	Private enterprise	92,000	65,000	100%	100%	Warehousing services, management of storage facilities, logistic information consulting services
Wuhan Yude Warehousing Co., Ltd.	13 November 2014	Private enterprise	67,000	–	100%	100%	Warehousing services, management of storage facilities, logistic information consulting services
Zhaoqing Yupei Warehousing Co., Ltd.	3 December 2014	Private enterprise	130,000	130,000	100%*	51%*	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistics information consulting

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Shanxi Xixian New District Yupei Warehousing Co., Ltd.	18 December 2014	Private enterprise	184,550	113,300	**100%**	100%	Construction and operation of business distribution and settlement center and related supporting supply chain management system; management of order producing, tracking, settlement; management of warehousing services and warehousing facilities; self-owned building leasing; Warehouse leasing; Logistics information consulting services
Wuxi Yupei Warehousing Development Co., Ltd.	5 December 2014	Private enterprise	US$ 100,000	US$ 45,982	**100%**	100%	Warehousing service (except hazardous chemicals) and consulting services, storage facilities leasing, property management
Changsha Yupei Warehousing Co., Ltd.	8 May 2015	Private enterprise	120,000	15,000	**100%**	100%	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Shanghai Qingyang Horticulture Co., Ltd.	3 July 2001	Private enterprise	5,000	5,000	**100%**	100%	Flowers, seedling, fruit trees planting; landscape engineering; greening projects; warehousing service (except hazardous chemicals)

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Suzhou Yuzhen Warehousing Co., Ltd.	28 November 2014	Private enterprise	500,000	256,800	**100%***	51%*	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services
Shanghai Yuji Consulting Management Co., Ltd.	5 February 2015	Private enterprise	620,000	420,000	**100%***	51%*	Investment management consulting; business information consulting; construction and operation and lease of industrial plants
Shanghai Yuzai Investment Management Co., Ltd.	16 January 2015	Private enterprise	150,000	150,000	**100%**	100%	Investment management, project investment, enterprise management consulting
Nanning Yupei Warehousing Co., Ltd.	18 June 2015	Private enterprise	108,500	–	**100%**	100%	Warehousing service and consulting services, storage facilities leasing, property management
Xianyang Yupei Warehousing Co., Ltd.	6 February 2015	Private enterprise	100,000	–	**100%**	100%	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Haerbin Yupei Warehousing Co., Ltd.	5 February 2015	Private enterprise	171,330	60,000	100%*	51%*	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Dalian Yupei Warehousing Co., Ltd.	19 May 2015	Private enterprise	500,000	135,000	100%	100%	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Chongqing Yupei Warehousing Co., Ltd.	27 January 2015	Private enterprise	200,000	115,000	100%	100%	Warehousing service (except hazardous chemicals) and consulting services, storage facilities leasing, property management, lease of plants
Huizhou Yuanwang Technology Park Development Co. Ltd.	11 October 2012	Private enterprise	95,000	95,000	100%	100%	Management of storage facilities, warehousing management and related consulting and services
Chengdu Shengbao Iron Structure Co., Ltd. ("Chengdu Shengbao")	16 April 2010	Private enterprise	130,000	130,000	100%*	51%	Production and sales of steel structure, painted metal and other metals, logistic services, warehousing service (except hazardous chemicals), lease of plants, goods and technology importation and exportation

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Zhengzhou Hozdo	29 July 2011	Private enterprise	50,000	50,000	**100%**	100%	Warehousing services (excluding inflammable and explosive hazardous chemicals), self-owned buildings leasing, logistic information consulting services and related technical advisory
Shanghai Yuheng Logistics Management Co., Ltd.	9 October 2015	Private enterprise	1,000	1,000	**100%**	100%	Logistics management; logistic information consulting services; warehousing service (except hazardous chemicals); business consulting; industrial investment; property management; hotel management
Shanghai Shuozheng Investment Management Consulting Co., Ltd.	30 January 2015	Private enterprise	110,000	110,000	**100%**	100%	Investment management consulting; business information consulting; enterprise management consulting; marketing planning; enterprise image design; warehousing service (except hazardous chemicals); research and sales of storage facilities

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Jinan Yuzhen Warehousing Co., Ltd.	11 August 2015	Private enterprise	155,000	100,000	**100%**	100%	Warehousing services (excluding hazardous chemicals); self-owned buildings leasing; construction and management of storage facilities
Foshan Yupei Warehousing Co., Ltd.	6 September 2016	Private enterprise	190,000	120,000	**100%**	N/A	Warehousing services; construction and management of storage facilities; property management and consulting; self-owned buildings leasing; storage facilities leasing; logistics information consulting services
Nanchang Yupei Warehousing Co., Ltd.	6 September 2016	Private enterprise	185,000	40,000	**100%**	N/A	Warehousing services; construction and management of storage facilities; self-owned buildings leasing; logistics information consulting services; property management services

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Zhoushan Yupei Warehousing Co., Ltd.	11 October 2016	Private enterprise	100,000	15,000	**100%**	N/A	Construction, management and leasing of storage facilities; warehousing service (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting services
Kunshan Yuzai Warehousing Co., Ltd.	20 October 2016	Private enterprise	305,490	41,000	**100%**	N/A	Warehousing service (except transportation); management and leasing of storage facilities; logistics information consulting services; property management services
Zhoushan Yuhang Warehousing Co., Ltd.	26 October 2016	Private enterprise	60,000	–	**100%**	N/A	Construction, management and leasing of storage facilities (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting services

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Guiyang Yupei Warehousing Co., Ltd.	2 November 2016	Private enterprise	225,000	–	**100%**	N/A	Warehousing service; construction and management of storage facilities; construction and management of workshop; self-owned buildings leasing; storage facilities leasing; distribution and settlement of e-commerce; logistics information consulting services; property management and consulting services
Nangjing Yupei Warehousing Co., Ltd.	4 November 2016	Private enterprise	667,260	136,000	**100%**	N/A	Warehousing service; development and manufacturing of logistics equipment; self-owned buildings leasing; logistics information consulting services; property management and consulting services

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2016	2015	Principal activities
Kunming Yupei Warehousing Co., Ltd.	9 November 2016	Private enterprise	190,000	105,300	**100%**	N/A	Warehousing service; development, construction and management of storage facilities; logistics information consulting services; property management and consulting services
Wuhu Yupei Fund Management Co., Ltd.	21 November 2016	Private enterprise	10,000	–	**100%**	N/A	Equity investment; investment management
Wuhu Yuhang Investment Management Co., Ltd.	21 November 2016	Private enterprise	400,000	–	**100%**	N/A	Equity investment; investment management

* As at 31 December 2015, 49% equity shares of certain PRC subsidiaries were held by Carlyle, which have been regarded as redeemable convertible deemed preferred shares and were treated as financial liabilities at fair value through profit or loss (Note 19.2).

In July 2016, the 49% equity shares of certain PRC subsidiaries were purchased back from Carlyle upon the redemption and conversion of such redeemable convertible deemed preferred shares.

(ii) Subsidiaries — established in the British Virgin Islands ("B.V.I") and Hong Kong("HK")

The Company has several wholly owned subsidiaries established in B.V.I and HK. These subsidiaries are all investment holding companies.

34 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Investment properties	**1,089,772**	1,096,083

(b) Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The lease terms are between 2 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
No later than 1 year	**4,162**	3,570
Later than 1 year and no later than 5 years	**—**	422
	4,162	3,992

35 Related party transactions

Before the Listing, Mr. Li and Ms. Ma are the ultimate controlling shareholders of the Group and their subsidiaries are regarded as the related parties. After the Listing, they become the substantial shareholders of the Group and their subsidiaries continue to be regarded as the related parties.

Names and relationships with related parties are as follows:

Company name	Relationships
Shanghai Yupei Industrial	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei Construction Engineering Co., Ltd. ("Yupei Construction")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei Specialty Building Materials Co., Ltd. ("Yupei Building Materials")	Controlled by Mr. Li and Ms. Ma
Wuhu Yushi Construction Decoration Engineering Co., Ltd. ("Wuhu Yushi")	Controlled by Mr. Li and Ms. Ma
Yushuo Holdings Co., Ltd. ("Yushuo Holdings")	Controlled by Mr. Li and Ms. Ma
Yupei Supply Chain Management Co., Ltd. ("Yupei Supply Chain")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei Express Logistics Co., Ltd. ("Yupei Express Logistics")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei E-commerce Co., Ltd. ("Yupei E-commerce")	Controlled by Mr. Li and Ms. Ma
Hong Kong Yupei International Holdings Ltd. ("Hong Kong Yupei")	Controlled by Mr. Li and Ms. Ma
Yupei International Investment Management Co., Ltd. ("Yupei International")	Controlled by Mr. Li and Ms. Ma
Shanghai Hongyu	Associate of the Company

The significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2016 and 2015, and balances arising from related party transactions as at 31 December 2016 and 2015 are summarized below.

35 Related party transactions (continued)

(a) Advances from related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Advances from		
– Yupei Construction	**–**	450,000
– Shanghai Yupei Industrial	**–**	430,850
– Yupei Building Materials	**–**	70,000
– Shanghai Hongyu	**–**	12,300
	–	963,150

(b) Repayment of advances from related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Repayment of advances		
– Shanghai Hongyu	**12,300**	–
– Yupei Construction	**–**	650,000
– Shanghai Yupei Industrial	**–**	507,231
– Yupei Building Materials	**–**	170,000
	12,300	1,327,231

(c) Advances to related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Advances to		
– Shanghai Yupei Industrial	**–**	115,850
– Others	**–**	90
	–	115,940

35 Related party transactions (continued)

(d) Receipt of advances to related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Receipt of advances		
– Shanghai Yupei Industrial	–	125,673
– Wuhu Yushi	–	1,289
	–	126,962

(e) Services provided by related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Rental fee		
– Shanghai Yupei Industrial	548	2,190
Construction and decoration		
– Yupei Building Materials	–	2,775
– Wuhu Yushi	–	474
	–	3,249

(f) Services provided to related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Rental income and revenue from providing property management services to		
— Yupei Express Logistics	7,395	6,352
— Yupei Building Materials	5,498	5,632
— Yupei Supply Chain	1,802	—
— Yupei E-commerce	1,060	1,086
— Yupei Construction	757	776
	16,512	13,846

35 Related party transactions (continued)

(g) Interest expense

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest expense paid/payable to		
— Yupei Construction	**—**	8,372
— Shanghai Yupei Industrial	**—**	4,992
— Yupei Building Materials	**—**	2,031
	—	15,395

(h) Disposal of a subsidiary

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Disposal of a subsidiary to		
— Yushuo Holdings	**—**	1,000

(i) Key management personnel compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is summarized below:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and allowance	**5,828**	5,223
Employees share option expenses	**7,418**	—
Other social security cost, housing benefits and other employee benefits	**487**	447
	13,733	5,670

35 Related party transactions (continued)

(j) Period-end balances arising from advances to or from related parties and receiving/provision of services from or to related parties

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Other receivables from related parties (Note 11)		
— Yupei International	2	—
— Hong Kong Yupei	1	—
— Others	—	419
	3	419
Long-term rental deposits received from related parties		
— Yupei Supply Chain	1,400	—
— Yupei Express Logistics	843	—
	2,243	—
Advance from a related party (Note 22)		
— Yupei Express Logistics	283	—
Trade payables to a related party:		
— Yupei Building Materials	—	695
Other payable to a related party (Note 22)		
— Shanghai Hongyu	—	12,300

Receivables from related parties arise mainly from ordinary course of business. These receivables are unsecured and bear no interest. There are no provisions made against receivables from related parties.

(k) Borrowings guaranteed by related parties

As at 31 December 2015, the Group's bank borrowings of RMB87,625,000 were guaranteed by Mr. Li, which was released in January 2016 (Note 18).

36 Financial guarantee contracts

(a) In 2015, the Group's wholly-owned subsidiary, Shanghai Yupei signed a financial guarantee contract to provide guarantee on bank borrowing of RMB260,000,000 of Shanghai Tianke Enterprise Co., Ltd. ("Shanghai Tianke", the parent company of the other two investors of Shanghai Hongyu, the associate of the Group), covering the period from 17 June 2015 to 16 December 2016. Under the terms of the financial guarantee contract, Shanghai Yupei will guarantee the payment to the lender if Shanghai Tianke fails to repay when due.

The fair value of the financial guarantee at the time of signature is minimal because the guarantee is agreed on arm's length terms. No receivable for the future premiums is recognized.

The guarantee was released on 12 June 2016.

(b) In 2015, the Group's wholly-owned subsidiary, Chengdu Shengbao signed a financial guarantee contract to provide guarantee on bank borrowing of RMB10,000,000 of Chengdu Daxinan Prefab Houses Co., Ltd. ("Chengdu Daxinan", whose shareholder is a relative of the original shareholder of Chengdu Shengbao before Chengdu Shengbao was acquired by Shanghai Yupei in 2015), covering the period from 5 January 2015 to 4 January 2016. Under the terms of the financial guarantee contracts, Chengdu Shengbao will guarantee the payment to the lender if Chengdu Daxinan fails to repay when due.

The fair value of the financial guarantee at the time of signature is minimal because the guarantee is agreed on arm's length terms. No receivable for the future premiums is recognized.

The guarantee was released with the repayment of the bank borrowing on 4 January 2016.

37 Balance sheet and reserve movement of the Company

Balance sheet of the Company

		As at 31 December	
		2016	2015
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**5,630,104**	2,657,770
		5,630,104	2,657,770
Current assets			
Trade and other receivables		**313**	363
Prepayments		**462**	6,759
Loans to subsidiaries		**994,171**	632,536
Available-for-sale financial assets	12	**76,119**	—
Cash and cash equivalents		**889,448**	45,400
		1,960,513	685,058
Total assets		**7,590,617**	3,342,828
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital and premium	14	**5,760,728**	310
Other reserves	(a)	**153,833**	139,716
Accumulated losses	(a)	**(845,515)**	(854,127)
Total equity/(deficit)		**5,069,046**	(714,101)

37 Balance sheet and reserve movement of the Company (continued)

Balance sheet of the Company (continued)

		As at 31 December	
		2016	2015
	Note	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowing	18	**2,040,344**	—
Hybrid instruments	19.1, 19.3	**—**	3,760,567
		2,040,344	3,760,567
Current liabilities			
Trade and other payables		**481,227**	296,362
Total liabilities		**2,521,571**	4,056,929
Total equity and liabilities		**7,590,617**	3,342,828

The balance sheet of the Company was approved by the Board on 29 March 2017 and was signed on its behalf by:

Li Shifa

Pan Naiyue

37 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2015	(126,906)	—	(126,906)
Loss for the year	(727,221)	—	(727,221)
Deemed contribution from Yupei Investment Management (Note 19.3)	—	139,716	139,716
At 31 December 2015	(854,127)	139,716	(714,411)
At 1 January 2016	**(854,127)**	**139,716**	**(714,411)**
Loss for the year	**8,612**	**—**	**8,612**
Employee share option scheme — Value of employee services	**—**	**10,645**	**10,645**
Change in value of available-for-sale financial assets	**—**	**3,472**	**3,472**
At 31 December 2016	**(845,515)**	**153,833**	**(691,682)**

38 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company for the years ended 31 December 2016 and 2015 are set out as follows:

	Year ended 31 December 2016				
Name of Director	Salary	Employees share option expenses	Employer's contribution to a pension plan	Other social security cost and employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Mr. Li (i)	1,085	–	42	41	1,168
Ms. Li Qing	537	1,245	42	41	1,865
Mr. Zhang Long	713	1,424	42	41	2,220
Mr. Pan Naiyue	890	1,424	42	41	2,397
Mr. Sun Limin	621	950	–	–	1,571
Non-executive Directors:					
Mr. Ong Tiong Sin	–	–	–	–	–
Mr. Liu Xiangge	–	–	–	–	–
Mr. Chen Runfu	–	–	–	–	–
Independent Non-executive Directors:					
Mr. Guo Jingbin	182	–	–	–	182
Mr. Fung Ching	182	–	–	–	182
Mr. Wang Tianye	182	–	–	–	182
Mr. Leung Chi Ching	182	–	–	–	182
	4,574	5,043	168	164	9,949

38 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each director and the chief executive of the Company for the years ended 31 December 2016 and 2015 are set out as follows (continued):

	Year ended 31 December 2015				
Name of Director	Salary RMB'000	Employees share option expenses RMB'000	Employer's contribution to a pension plan RMB'000	Other social security cost and employee benefits RMB'000	Total RMB'000
Executive Directors:					
Mr. Li (i)	1,002	—	40	40	1,082
Ms. Li Qing	395	—	37	36	468
Mr. Zhang Long	671	—	40	40	751
Mr. Pan Naiyue	674	—	40	40	754
Mr. Sun Limin	589	—	23	23	635
Non-executive Directors:					
Mr. Ong Tiong Sin	—	—	—	—	—
Mr. Liu Xiangge	—	—	—	—	—
	3,331	—	180	179	3,690

(i) The chief executive officer of the Company is Mr. Li, who is also one of the directors of the Company.

During the years ended 31 December 2016, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil). No directors waived or had agreed to waive any emoluments.

38 Benefits and interests of directors (continued)

(b) Directors' retirement benefits

During the year ended 31 December 2016, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2015: Nil).

(c) Directors' termination benefits

During the year ended 31 December 2016, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2015: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, no consideration was provided to or receivable by third parties for making available director's services (2015: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities at the years ended 31 December 2016 and 2015 or at any time during the years.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the years ended 31 December 2016 and 2015 or at any time during the years.

中國物流資產控股有限公司
CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD