中国物流资产 CHINA LOGISTICS PROPERTY HOLDINGS

2018年度報告
ANNUAL REPORT OF 2018

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 *(Chief Executive Officer)*
Mr. Wu Guolin
Ms. Li Huifang
Mr. Chen Runfu
Mr. Cheuk Shun Wah
Ms. Shi Lianghua

Non-executive Directors

Mr. Huang Xufeng
Ms. Li Qing
Mr. Fu Bing

Independent Non-executive Directors

Mr. Guo Jingbin
Mr. Fung Ching Simon
Mr. Wang Tianye
Mr. Leung Chi Ching Frederick
Mr. Chen Yaomin

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:
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35/F, ICBC Tower
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AUDITOR

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Certified Public Accountants
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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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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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PRINCIPAL BANKS

Bank of China Co., Ltd.
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Ltd.
Ping An Bank Co., Ltd.
The Bank of East Asia (China) Limited

Financial Summary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**582,280**	403,900	270,861	163,238	67,555
Gross profit	**433,927**	275,652	181,980	105,986	46,293
Gross profit margin	**74.5%**	68.2%	67.2%	64.9%	68.5%
Profit for the year[(1)]	**553,552**	885,800	720,478	1,205,365	147,843
Non-IFRSs items:					
Core net profit[(2)(3)]	**297,048**	162,623	107,168	63,332	18,083
Core net profit margin	**51.0%**	40.3%	39.6%	38.8%	26.8%

CONSOLIDATED BALANCE SHEETS

	As of 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**18,457,666**	16,051,440	13,447,682	9,960,804	3,384,828
Current assets	**3,126,999**	2,290,332	2,093,001	914,518	1,317,808
Total assets	**21,584,665**	18,341,772	15,540,683	10,875,322	4,702,636
Equity and liabilities					
Total equity	**11,413,889**	9,325,754	8,479,092	1,984,434	639,353
Non-current liability	**7,522,395**	7,135,077	6,018,954	7,734,753	2,858,878
Current liabilities	**2,648,381**	1,880,941	1,042,637	1,156,135	1,204,405
Total liabilities	**10,170,776**	9,016,018	7,061,591	8,890,888	4,063,283
Total equity and liabilities	**21,584,665**	18,341,772	15,540,683	10,875,322	4,702,636
Net current assets/(liabilities)	**478,618**	409,391	1,050,364	(241,617)	113,403
Total assets less current liabilities	**18,936,284**	16,460,831	14,498,046	9,719,187	3,498,231

Notes:

(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 adjusted EBITDA, which consists of profit for the year, adding back our interest expense on borrowings, net exchange losses, income tax expense, amortization expense, depreciation charge and other one-off transaction expenses, further adjusted to deduct our other income, fair value gains on investment properties — net and other gains/(losses) — net, interest income on bank deposits, net exchange gains and share of profit of investments accounted for using the equity method.

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the business review of China Logistics Property Holdings Co., Ltd (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2018 and our outlook for 2019.

RESULTS

2018 was a landmark in the history of the Group, during which the Group recorded a revenue of RMB582.3 million, representing a year-on-year increase of 44.2% as compared with RMB403.9 million in 2017. The Group's gross profit increased from RMB275.7 million in 2017 to RMB433.9 million in 2018, increasing by 57.4% year on year, while its gross profit margin increased from 68.2% in 2017 to 74.5% in 2018. The total assets of the Group increased from RMB18,341.8 million in 2017 to RMB21,584.7 million in 2018, representing a year-on-year increase of 17.7%.

BUSINESS OVERVIEW

As of 31 December 2018, the Company had 150 logistics facilities in operation in 32 logistics parks, located in logistics hubs in 16 provinces or centrally administered municipalities.

As demands from tenants in e-commerce and third-party logistics providers ("**3PL**") industries continued to increase, the Group expanded its network of logistics facilities to cope with such demand and thereby grew its revenue by 44.2% from RMB403.9 million in 2017 to RMB582.3 million in 2018. The Group's gross profit increased from RMB275.7 million in 2017 to RMB433.9 million in 2018. As of 31 December 2018, the Group's occupancy rate for stabilized logistics parks has increased to 92.4%, which was in line with the Company's expectation.

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 2018:

	As of 31 December	
	2018	2017
Completed GFA:		
Stabilized logistics parks (million sq.m.)[1]	**2.5**	2.3
Pre-stabilized logistics parks (million sq.m.)[2]	**0.3**	0.1
Total (million sq.m.)	**2.8**	2.4
Logistics parks under development or being repositioned (million sq.m.)	**1.3**	0.7
Land held for future development (million sq.m.)	**0.4**	0.8
Investments accounted for using equity method (million sq.m.)	**0.1**	0.1
Total GFA (million sq.m.)	**4.6**	4.0
Investment projects (million sq.m.)[3]	**3.3**	2.8
Occupancy rate for stabilized logistics parks (%)[1]	**92.4**	89.8

(1) Logistics facilities (i) for which construction have been completed for more than 12 months as of 31 December 2018 or 2017 (as the case may be) 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 2018 or 2017 (as the case may be) 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.

In February 2018, the Group successfully issued senior notes in the aggregate principal amount of US$100,000,000 which bear interest at a rate of 9.00% per annum and are due in February 2019. As of the date of this annual report, the Company has utilized the net proceeds from the issuance to repay existing offshore indebtedness and for general corporate purposes and has redeemed all of such senior notes.

The Group has further enhanced its business expansion through its collaboration with two well-known corporations, JD.com, Inc. ("**JD**") and LaSalle Investment Management Asia Pte. Ltd. ("**LaSalle**"), which serve as important milestones of the Group.

On 27 April 2018, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Jingdong Logistics Group Corporation ("**JD Subscriber**"), pursuant to which, upon completion of the subscription on 11 May 2018, the Company allotted and issued, and JD Subscriber subscribed for, 321,068,999 shares of the Company (the "**Subscription Shares**") at the subscription price of HK$2.80 per subscription share. JD Subscriber is a subsidiary of JD.com Inc. which is in turn a leading technology-driven e-commerce company and retail infrastructure service provider in China. The investment by JD Subscriber, amongst other things, enables the Company to further expand its business coverage, optimize site selection and network establishment, and ensure a high occupancy rate. Meanwhile, the fund generated from the allotment and issue of the subscription shares improves gearing ratio and ensures sufficient liquidity. For further details, please refer to the announcements of the Company dated 27 April 2018 and 11 May 2018.

Moreover, on 22 August 2018, the Company and LaSalle, an institutional property investor, entered into a cooperation framework agreement, pursuant to which the Company and a fund managed by LaSalle agreed in principle to invest up to US$300 million in and operate a portfolio of logistics warehousing projects located in China. Under the cooperation framework agreement, the Company committed to invest up to US$90 million and its onshore affiliates will be engaged to provide project or property management services to the relevant logistics warehousing projects. This is a significant milestone for the Group to achieve revenue diversification. The cooperation with LaSalle also benefits the Group's long-term development, notably optimizing the capital structure and reducing the operational costs, which further enhances the financial stability. The fund cooperation model helps accelerate the expansion of our logistics business, which allows the Group to seize market opportunities. For further details, please refer to the announcement of the Company dated 22 August 2018.

In order to further finance the development and operational costs of the three logistics parks held by the Wuxi Yupei Warehousing Development Co., Ltd., Shenyang Yupei Warehousing Co., Ltd. and Zhengzhou Yupei Warehousing Co., Ltd. (collectively, the "**Project Companies**"), the Company entered into a series of transactions. On 21 December 2018, the Company, through China Yupei Logistics Property Development Co. Ltd., transferred the Project Companies to Yupei Logistics Property Fund I Limited Partnership. As a result of such transfer, ICBC International Investment Management Limited became the indirect beneficial owner of 49.0% of the equity interests in the Project Companies. Such funding model allows the Company to leverage external capital resources to accelerate its expansion. For more information with respect to such transactions, please refer to the announcement of the Company dated 21 December 2018.

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 2017 and 2018, together with the valuation of such logistics parks:

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
Beijing Yupei Linhaitan Logistics Park, East Zhanggezhuang Village, Yongledian Town, Tongzhou District, Beijing, PRC	**83,329**	Logistics Facilities	Yes	649	**689**
Shanghai Yuhang Huangdu Logistics Park, 1000 Xiechun Road, Jiading District, Shanghai, PRC	**35,083**	Logistics Facilities	Yes	165	**175**
Suzhou Yupei Logistics Park, N. 28 Hengxinjing Road, Zhoushi Town, Kunshan, Jiangsu Province, PRC	**118,613**	Logistics Facilities	Yes	770	**819**
Wuhan Yupei Hannan Logistics Park, Wujin Industrial Park, Dongjing Street, Hannan District, Wuhan, Hubei Province, PRC	**73,098**	Logistics Facilities	Yes	309	**313**
Shenyang Yupei Shenbei Logistics Park, No. 10 Hongye Street, Shenyang New North Area, Shenyang, Liaoning Province, PRC	**84,621**	Logistics Facilities	Yes	383	**388**

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
Shenyang Yupei Economic & Technological Development Zone Logistics Park, No. 17 Shenxi Jiudong Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning Province, PRC	**40,262**	Logistics Facilities	Yes	174	**175**
Zhengzhou Yupei Huazhengdao Logistics Park, east of Yitong Street, south of Xida Road, west of Litong Street and north of Wuliu Avenue, Zhengzhou, Henan Province, PRC	**31,166**	Logistics Facilities	Yes	154	**166**
Chuzhou Yuhang Logistics Park Phase I & II, No. 8 Huayuan West Road, Langya District, Chuzhou, Anhui Province, PRC	**63,568**	Logistics Facilities	Yes	295	**248**
Wuhu Yupei Logistics Park, Sanshan District Logistics Park, Sanshan District, Wuhu, Anhui Province, PRC	**90,304**	Logistics Facilities	Yes	276	**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	564	**608**

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
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	505	**512**
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	233	**249**
Suzhou Yuqing Logistics Park, No. 8 Datong Road, Suzhou New District, Suzhou, Jiangsu Province, PRC	**171,108**	Logistics Facilities	Yes	948	**1,037**
Changchun Yupei Logistics Park, Hangkong Street, North Area of Changchun National Hi-Tech Industrial Development Zone, Changchun, Jilin Province, PRC	**63,347**	Logistics Facilities	Yes	280	**282**
Chengdu Yupei Shengbao Logistics Park, No. 9 Minsheng Road, Xiangfu Town, Qingbaijiang District, Chengdu, Sichuan Province, PRC	**113,132**	Logistics Facilities	Yes	543	**573**

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
Wuxi Yupei Logistics Park — Phase I, northwest of Zoumatang West Road and Yongjun Road, An Town, Wuxi, Jiangsu Province, PRC	**61,609**	Logistics Facilities	Yes	279	**291**
Jiaxing Yupei Logistics Park, east to Sidian Gang, south to Xinchang Road, Nanhu District, Jiaxing, Zhejiang Province, PRC	**130,874**[(3)]	Logistics Facilities	Yes	764	**772**
Changzhou Yupei Logistics Park, northwest of Longcheng Avenue and Shengda Road, Luoxi Town, Xinbei District, Changzhou, Jiangsu Province, PRC	**82,712**	Logistics Facilities	Yes	320	**342**
Nantong Yupei Logistics Park, northeast of Dongfang Avenue and Wei 18th Road, Nantong Sutong Science & Technology Park, Tongzhou District, Nantong, Jiangsu Province, PRC	**41,449**	Logistics Facilities	Yes	158	**154**
Huizhou Yupei Logistics Park, Yunbu Village, Luoyang Town, Huizhou, Guangdong Province, PRC	**112,071**	Logistics Facilities	Yes	490	**508**

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
Suzhou Yuzhen Logistics Park, northwest of Wenchang Road and National Road 312, Suzhou National Hi-Tech District, Suzhou, Jiangsu Province, PRC	**175,434**	Logistics Facilities	Yes	931	**1,020**
Harbin Yupei Logistics Park, east of Songhua Road, south of New Holland Co., Ltd, Harbin, Heilongjiang Province, PRC	**80,948**	Logistics Facilities	Yes	332	**340**
Wuxi Yupei Logistics Park — Phase II, northeast of Zoumatang Road and Xidong Avenue, Wuxi, Jiangsu Province, PRC	**124,392**[(3)]	Logistics Facilities	Yes	545	**565**
Jinan Yupei Logistics Park Phase I, south of National Road G20 and west of National Road G220, Jinan, Shandong Province, PRC	**48,534**	Logistics Facilities	Yes	180	**187**
Huai'an Yupei Logistics Park, No. 6 Kaixiang Road, Huai'an Economic & Technological Development Zone, Huai'an, Jiangsu Province, PRC	**57,689**	Logistics Facilities	Yes	187	**188**
Zhaoqing Yupei Logistics Park, Dasha Town, Sihui, Zhaoqing, Guangdong Province, PRC	**104,857**	Logistics Facilities	Yes	565	**543**

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
Dalian Yupei Logistics Park Phase I, east of Gaoxinyuan 10th Road, north of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC(1)	**139,785**	Logistics Facilities	Yes	533	**538**
Jinan Yupei Logistics Park Phase II, south of National Road G20 and west of National Road G220, Jinan, Shandong Province, PRC(2)	**27,617**	Logistics Facilities	Yes	48	**104**
Tianjin Yupei Xiqing Logistics Park, west of Taikang Road, Xinkou Town, Xiqing District, Tianjin, the PRC(2)	**100,239**	Logistics Facilities	Yes	302	**512**
Total	**2,520,343**			11,882	**12,570**

Notes:

(1) The logistics park was classified as pre-stabilized as of 31 December 2017.

(2) The logistics park was classified as a project under development as of 31 December 2017.

(3) As recorded in the real property ownership certificate obtained as of 31 December 2018.

The following table sets forth a summary of all the Group's completed and pre-stabilized projects as of 31 December 2017 and 2018, together with the valuation of such projects:

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
Xianyang Yupei Logistics Park, north of Xinyuan Road and east of Weidong Road, Xianyang, Shaanxi Province, PRC(1)	**112,731**	Logistics Facilities	Yes	446	**535**
Yupei Zhoushan E-commerce Logistics Industrial Park, Xingang Park, Zhoushan Economic Development Zone, Zhoushan, Zhejiang Province, PRC(1)	**91,057**	Logistics Facilities	Yes	299	**362**
Kunming Yupei Logistics Park, Ma Cheng Road, Chenggong District, Kunming, Yunnan Province, PRC(1)	**102,569**	Logistics Facilities	Yes	223	**434**
Total	**306,357**			968	**1,331**

Note:

(1) The logistics park was classified as a project under development as of 31 December 2017.

Logistics Parks Under Development

The following table sets forth the overview of the Group's logistics parks under development as of 31 December 2017 and 2018, together with the valuation of such logistics parks:

Logistics Parks	**Total GFA as of 31 December 2018 (sq.m.)**	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	**Property Valuation as of 31 December 2018 (in RMB million)**
Chongqing Yupei Xipeng Logistics Park, Section A, Xipeng Community, Jiulongpo District, Chongqing, PRC	**152,394**	Logistics Facilities	Yes	287	**508**
Zhoushan Yuhang Industrial Park, Dongsheng Community, Ganlan Town, Dinghai District, Zhoushan, Zhejiang Province, PRC	**25,964**	Logistics Facilities	Yes	31	**83**
Kunshan Yuzai Logistics Park, north of Jingban Road and west of Qianye Road, Bacheng Town, Kunshan, Suzhou, Jiangsu Province, PRC	**96,924**	Logistics Facilities	Yes	197	**447**
Jinan Yuzhen Logistics Park, south of Gangyuan 6th Road, west of Gangxing 1st Road and north of Gangyuan 7th Road, Jinan Comprehensive Free Trade Zone, Jinan, Shandong Province, PRC	**125,802**	Logistics Facilities	Yes	—	**66**
Guiyang Yupei Logistics Park, northwestern corner of Huayan Road and extension section of Guhuai Road, Huaxi District, Guiyang, Guizhou Province, PRC	**330,932**	Logistics Facilities	Yes	—	**121**

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
Dalian Yupei Logistics Park Phase II, east of Gaoxinyuan 12th Road, north of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC(1)	**76,254**	Logistics Facilities	Yes	115	**97**
Nanjing Yupei Logistics Park, south of Dixiu Road and north of Baoxiang Road, Jiangning Binjiang Development Zone, Nanjing, Jiangsu Province, PRC(1)	**124,085**	Logistics Facilities	Yes	88	**269**
Changsha Yupei Logistics Park, at the intersection of Yuelu Avenue and Heye Road, Yuelu District, Changsha, Hunan Province, PRC(1)	**135,667**	Logistics Facilities	Yes	205	**315**
Wuxi Yupei Logistics Park Phase III, south of Yongjun Road and west of Zoumatang West Road, Xishan District, Wuxi, Jiangsu Province, PRC(1)	**207,032**	Logistics Facilities	Yes	241	**535**
Total	**1,275,054**			1,164	**2,441**

Note:

(1) The logistics park was categorized as land held for future development as of 31 December 2017.

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 2017 and 2018, together with the valuation of such projects:

Logistics Parks	Total GFA as of 31 December 2018 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2017 (in RMB million)	Property Valuation as of 31 December 2018 (in RMB million)
Shanghai Yupei Qingyang Logistics Park, east of Waiqingsong Highway and Qingsong Road, Qingpu District, Shanghai, PRC	**67,593**	Logistics Facilities	Yes	210	**221**
Shanghai Yuzai Logistics Park, Xuanqiao Town, Nanhui Industrial Zone, Pudong New District, Shanghai, PRC	**108,599**	Logistics Facilities	Yes	326	**352**
Shanghai Yupei Jinshan Logistics Park, southwestern corner of Rongdong Road and Rongtian Road, Jinshan District, Shanghai, PRC	**72,171**	Logistics Facilities	Yes	167	**199**
Nanchang Yupei Logistics Park, west of Yanhe Road and north of Tianxiang Avenue, High and New Technology Development Zone, Nanchang, Jiangxi Province, PRC	**70,248**	Logistics Facilities	Yes	75	**75**
Shanghai Yuji Logistics Park, No. 99 Jiangong Road, Fengjing Town, Jinshan District, Shanghai, PRC	**103,832**	Logistics Facilities	Yes	—	**297**
Total	**422,443**			778	**1,144**

Industry Overview

Over recent years, the economy of China has experienced a critical transitional period, shifting from rapid development into high-quality development, whereas consumption became the main impetus for economic development. According to the National Bureau of Statistics of the PRC, the gross domestic product for 2018 reached RMB90,030.9 billion, up by 6.6% over last year, 76.2% of which was contributed by final consumption expenditures. The total amount of retail sales of consumer goods for the whole year was RMB38,098.7 billion, up by 9.0% over last year. Such increase in consumption gave rise to a growing demand for logistics services. According to China Federation of Logistics & Purchasing, from January to November 2018, the total amount of the national social logistics was RMB257.9 trillion, representing a year-on-year increase of 6.7% based on the comparable prices; and the total amount of the social logistics cost was RMB11.9 trillion, representing a year-on-year increase of 8.6%. Thanks to the growing demand for logistics services, the Chinese logistics facilities market has witnessed a sustained and rapid development. According to a report from DTZ Cushman & Wakefield Limited, an independent professional real estate consultant, the inventory level of the premium logistics facilities in China reached 51.00 million sq.m. as at the end of 2018. Despite an increase in market supply, the overall vacancy rate of high-standard warehouses throughout the year still maintained at a relatively healthy level, and the rentals also achieved a stable growth.

As for the market conditions in the fourth quarter of 2018, different regions have rendered different performances, but generally speaking, all the regions were developing healthily. Specifically, the Beijing-Tianjin-Hebei region, the core region of the Yangtze River Delta with Shanghai as the center, and the core region of the Pearl River Delta with Guangzhou and Shenzhen as the center enjoyed the strongest market demand, with a low vacancy rate and a significant increase in the rent. Meanwhile, affected by the land policy, the demand in the core cities such as Beijing, Shanghai, Guangzhou and Shenzhen has gradually radiated to the surrounding satellite cities and secondary cities. The rapid economic growth in the cities such as Zhengzhou, Wuhan, Changsha, Hefei, and Jinan in recent years has resulted in continuous expansion of the sizes of those cities. Due to the strong demand for high-quality logistics facilities in the market, the rent has gone up significantly. Heilongjiang, Jilin and Liaoning provinces were still struggling with their economic transformation, with a high vacancy rate of high-quality logistics facilities, so it is with Chongqing and Chengdu, which were affected by the short-term surge in supply in the previous two years, resulting in a relatively high vacancy rate and enormous pressure on rental growth. However, Chengdu has entered the stage of destocking, as a result the vacancy rate of its high-standard warehouses in 2018 was significantly lower than that in the past. With the economic development and more investment in infrastructure construction in Midwest China, and based on investors' expectation on increasing market demand, the development of premium logistics facilities in Guizhou, Hunan, Shaanxi, Yunnan, Hubei and other provinces is booming, so the future supply as a percentage of the existing inventory in this region is expected to exceed 80%.

In general, the demand of the premium logistics facilities leasing market in China continued to maintain a strong momentum, the demand of the e-commerce, retailers and 3PL has become a main driving force for the advanced logistics facilities sector, taking a leading position in the leasing market, and the overall demand of the traditional retail and manufacturing sectors maintained steady. According to the National Bureau of Statistics of the PRC, in 2018, the e-commerce sector in China still kept at a higher growth rate in its development, and the total amount of online retail sales of physical goods for the whole year amounted to RMB7,019.8 billion, representing an increase of 25.4% over last year, and accounting for 18.4% of the total retail sales of consumer goods, up by 3.4 percentage points over last year. In line with the further release of consumption potential in Midwest China and rural areas, and the profound popularization of the Internet and mobile Internet, the e-commerce sector will develop at a quicker pace in the future, and the leasing demand for high-standard warehouses as driven by the development of e-commerce sector will remain one of the major driving forces for the development of logistics facilities sector in the future.

In general, the premium logistics facilities in the PRC have achieved a significant development in recent years, but compared with the United States, the general scale is still small for the vast-sized economy and population in China, whereas the area of logistics facilities per capita is significantly smaller than that in the developed markets, such as Europe, the United States and Japan. With the increasingly higher demand for logistics efficiency in the whole society, as well as the extensive investment in and application of the Internet, Internet-of-Things, AI, robots and big data, the elimination of low-efficiency obsolete logistics facilities will speed up to drive a continual rise of market demand for premium logistics facilities.

Outlook

Business Outlook

In 2019, 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 2018, the Group has approximately 0.4 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 Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta economic zone, the Bohai economic zone and the Pearl River Delta economic zone, as well as other selected provincial and logistics node cities to continuously strengthen its nationwide network. For example, in the Greater Bay Area, in addition to our existing Zhaoqing and Huizhou projects which have been in operation, we will grasp the opportunity brought by the country's promotion of the construction of the Greater Bay Area to actively seek new investment opportunities in the region, with an aim to continue to build a network of logistics facilities in the region.

- *Accelerate lease-up cycle and optimize tenant portfolio* — In 2018, the occupancy rate for our stabilized logistics parks reached 92.4%, higher than that in 2017, which represents one of our achievements, thanks to the fact that we have been well equipping ourselves. In the future, 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 the Group's national footprint in China. In the meantime, in view of the continuous growth of China's domestic consumption and e-commerce market as well as the strong growth of emerging industries such as new retail, the Group will continue to optimize its tenant portfolio and increase the proportion of such 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. Besides, the Group will experimentally install water recycling system in some logistics parks, and will promote it to all logistics parks across the country after achieving favorable results.

Industry Outlook

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

- *Greater disposable income and increasing urbanization* — A substantial 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 2019. 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. China's rural e-commerce market will maintain a rapid development, and its growth rate will be far higher than the national average level.

- *Growing 3PL market* — The 3PL industry continued to experience steady growth in 2019. 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. The Chinese government aims to further lower the ratio of the total social logistics cost to GDP, targeting to lower the ratio to about 12% by 2025. To achieve this goal, more high-standard logistics facilities are required to be invested in order to improve logistics efficiency.

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

Consumption is a major driver of demand for modern logistics facilities, which is a long-term trend driven by population growth, urbanization and the growing middle class.

With an expected growth of the global e-commerce sales at a rate of 20% per annum, e-commerce is becoming more and more important to consumers, which surpasses the traditional retail sector. Consumers continuously move towards organized retail channels, including e-commerce and chain stores. The demand for modern logistics solutions has been propelled due to this large-scale and highly-efficient transportation of goods.

Given that modern logistics facilities have been in short supply for a sustained period of time, China is still a core market for logistics development. The supply chain is evolving, and enterprises need modern warehouse facilities to improve efficiency and reduce costs.

Due to the lack of business scale and capability, many retailers and manufacturers have chosen to outsource their delivery services to 3PL to improve efficiency. Consolidation of the fragmented business in the past will mean the emergence of new types of customers.

ACKNOWLEDGEMENT

Finally, on behalf of the Board (the "**Board**") of Directors (the "**Directors**") of the Company, I would like to express my sincere gratitude to all our employees for their contributions and hard work, as well as our shareholders, bondholders, financing and business partners for their strong support over the past year!

Li Shifa
Chairman of the Board
Hong Kong, 28 March 2019

Management Discussion and Analysis

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 periods indicated, together with the change (expressed in percentages) from the year ended 31 December 2017 to the year ended 31 December 2018:

	For the year ended 31 December				Year-on-Year
	2018		2017		Change
	RMB	%	RMB	%	%
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Comprehensive Income					
Revenue	**582,280**	**100.0**	403,900	100.0	44.2
Cost of sales	**(148,353)**	**(25.5)**	(128,248)	(31.8)	15.7
Gross profit	**433,927**	**74.5**	275,652	68.2	57.4
Selling and marketing expenses	**(31,304)**	**(5.4)**	(26,838)	(6.6)	16.6
Administrative expenses	**(102,108)**	**(17.5)**	(88,168)	(21.8)	15.8
Net impairment losses on financial assets	**(5,516)**	**(0.9)**	—	—	(100)
Other income	**12,379**	**2.1**	57,800	14.3	(78.6)
Fair value gains on investment properties — net	**948,244**	**162.9**	865,330	214.2	9.6
Other gains — net	**11,955**	**2.1**	108,606	26.9	(89.0)
Operating profit	**1,267,577**	**217.7**	1,192,382	295.2	6.3
Finance income	**15,963**	**2.7**	96,561	23.9	(83.5)
Finance expenses	**(540,336)**	**(92.8)**	(323,266)	(80.0)	67.1
Finance expenses — net	**(524,373)**	**(90.1)**	(226,705)	(56.1)	131.3
Share of profit of investments accounted for using the equity method	**104,327**	**17.9**	261,262	64.7	(60.1)
Profit before income tax	**847,531**	**145.6**	1,226,939	303.8	(30.9)
Income tax expense	**(293,979)**	**(50.5)**	(341,139)	(84.5)	(13.8)
Profit for the year	**553,552**	**95.1**	885,800	219.3	(37.5)
Profit for the year attributable to:					
Owners of the Company	**557,231**	**95.7**	885,800	219.3	(37.1)
Non-controlling interests	**(3,679)**	**(0.6)**	—	—	(100)
	553,552	**95.1**	885,800	219.3	(37.5)
Total comprehensive income for the year attributable to:					
Owners of the Company	**557,231**	**95.7**	872,366	216.0	(36.1)
Non-controlling interests	**(3,679)**	**(0.6)**	—	—	(100)
	553,552	**95.1**	872,366	216.0	(36.5)
Earnings per share (expressed in RMB)					
Basic	**0.1781**		0.3024		
Diluted	**0.1779**		0.3019		

Revenue

The Group's revenue increased by 44.2% from RMB403.9 million in 2017 to RMB582.3 million in 2018, 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 15.7% from RMB128.2 million in 2017 to RMB148.4 million in 2018, 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 31.8% in 2017 to 25.5% in 2018. 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 57.4% from RMB275.7 million in 2017 to RMB433.9 million in 2018, and the Group's gross profit margin increased from 68.2% in 2017 to 74.5% in 2018.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 16.6% from RMB26.8 million in 2017 to RMB31.3 million in 2018, 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 6.6% in 2017 to 5.4% in 2018, 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 15.8% from RMB88.2 million in 2017 to RMB102.1 million in 2018, primarily as a result of (i) the increase of professional fees, including legal fees, with respect to the establishment of an investment fund and (ii) the increase of utilities and office expenses in connection with the relocation of our office buildings in 2018. As a percentage of the Group's revenue, administrative expenses decreased from 21.8% in 2017 to 17.5% in 2018. 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 78.6% from RMB57.8 million in 2017 to RMB12.4 million in 2018, primarily due to the decrease of the government grants received by the Group from the local government authority.

Fair Value Gains on Investment Properties — Net

The Group's net fair value gains on investment properties increased by 9.6% from RMB865.3 million in 2017 to RMB948.2 million in 2018, primarily attributable to (i) increase in number of the Group's properties and (ii) the increase in market rental rate especially in first and second-tier cities in the PRC.

Other Gains — Net

The Group's other gains decreased by 89.0% from RMB108.6 million in 2017 to RMB12.0 million in 2018, primarily as a result of the Group's disposal of its entire shareholding interest in Yupei East China Logistics Property Management Co., Ltd. ("**Yupei East China**") in 2017 and recorded a non-recurring gain of RMB107.7 million.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 6.3% from RMB1,192.4 million in 2017 to RMB1,267.6 million in 2018. As a percentage of the Group's revenue, the Group's operating profit decreased from 295.2% in 2017 to 217.7% in 2018.

Finance Income

The Group's finance income decreased by 83.5% from RMB96.6 million in 2017 to RMB16.0 million in 2018, primarily due to the fluctuation in exchange rate between U.S. dollars and Renminbi, which resulted in the Group's recognition of net foreign exchange gains of RMB88.5 million in 2017 in relation to its interest payable on its outstanding U.S. dollars denominated borrowings and senior notes. While in 2018 the Group recorded net foreign exchange losses of RMB148.7 million, which in turn reflected that the Group is obligated to make interest payment in U.S. dollars on its outstanding U.S. dollars denominated borrowings and senior notes.

Finance Expenses

The Group's finance expenses increased by 67.1% from RMB323.3 million in 2017 to RMB540.3 million in 2018, primarily due to (i) the fact that the Group recorded net foreign exchange losses of RMB148.7 million in relation to its interest payable on its outstanding U.S. dollars denominated borrowings and senior notes in 2018 and (ii) the increase in the balance of the Group's senior notes newly issued to support its business growth.

Income Tax Expense

The Group's income tax expenses decreased by 13.8% from RMB341.1 million in 2017 to RMB294.0 million in 2018, primarily as a result of a decrease in taxable income and the absence of capital gain tax incurred in connection with the disposal of Yupei East China in 2017, which was partially offset by the capital gain tax incurred with respect to the establishment of an investment fund in 2018. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, increased from 27.8% in 2017 to 34.7% in 2018. The increase was mainly due to the increased interests of debt financing and foreign exchange losses recognized by overseas companies, while such losses were not deductible for tax purposes.

Profit for the year

As a result of the foregoing, the Group's profit of the year decreased by 37.5% from RMB885.8 million in 2017 to RMB553.6 million in 2018. The Group's profit for the year attributable to the owners of the Group decreased by 37.1% from RMB885.8 million in 2017 to RMB557.2 million.

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 an 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 adjusted EBITDA, which consists of profit for the year, adding back our interest expense on borrowings, net exchange losses, income tax expense, amortization expense, depreciation charge and other one-off transaction expenses, further adjusted to deduct our other income, fair value gains on investment properties — net and other gains/(losses) — net, interest income on bank deposits, net exchange gains and share of profit of investments accounted for using the equity method.

The Group's core net profit increased from RMB162.6 million in 2017 to RMB297.0 million in 2018. 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 2018 was 51.0%.

LIQUIDITY AND CAPITAL RESOURCES

In 2018, the Group financed its operations primarily through cash from the Group's operations and borrowings from banks and financial institutions and the issuance of senior notes. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth and borrowings.

Cash and cash equivalents

As of 31 December 2018, the Group had cash and cash equivalents of RMB2,000.4 million (31 December 2017: RMB1,820.5 million), which primarily consisted of cash at bank and on hand that were mainly denominated in Renminbi (as to 22.0%), U.S. dollars (as to 76.5%), and Hong Kong dollars (as to 1.5%).

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.

Indebtedness

(a) Borrowings

As of 31 December 2018, the Group's total outstanding borrowings amounted to RMB7,667.4 million. The Group's borrowings were denominated in Renminbi (as to 46.8%) and U.S. dollars (as to 53.2%). The following table sets forth a breakdown of the Group's current and non-current borrowings as of the dates indicated:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets	**3,424,778**	3,221,448
—secured by assets and equity interest of certain subsidiaries	**124,895**	322,939
Long-term borrowings from other financial institutions		
— secured by shares of subsidiary guarantors	**—**	653,044
— unsecured	**684,839**	649,744
Senior Notes		
— secured by guarantees and pledged provided by certain subsidiaries	**2,707,491**	1,916,490
Less: Long-term bank borrowings due within one year	**(583,709)**	(551,114)
Long-term borrowings from other financial institutions due within one year	**(684,839)**	(653,044)
	5,673,455	5,559,507
Current		
Short-term bank borrowings		
— unsecured	**40,000**	—
Short-term senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**685,396**	—
Current portion of long-term bank borrowings		
— secured by assets	**458,814**	551,114
— secured by assets and equity interest of certain subsidiaries	**124,895**	—
Current portion of long-term borrowings from other financial institutions		
— secured by shares of subsidiary guarantors	**—**	653,044
— unsecured	**684,839**	—
	1,993,944	1,204,158
Total borrowings	**7,667,399**	6,763,665

The Group's total outstanding borrowings amounted to RMB6,763.7 million and RMB7,667.4 million as of 31 December 2017 and 2018, 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 of 31 December 2018, the Group's borrowings of RMB4,855.3 million (31 December 2017: RMB3,557.9 million) bore fixed interest rates and the remaining borrowings bear floating interest rates. The weighted average effective interest rates of the Group's borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that were outstanding during the period, for the year ended 31 December 2017 and 2018 were as follows:

	As of 31 December	
	2018	*2017*
RMB	**5.9%**	5.7%
US$	**9.3%**	11.1%

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	
	2018	*2017*
	(in RMB thousands)	
Within one year	**1,993,944**	1,204,158
Between one and two years	**3,236,352**	1,292,813
Between two and five years	**1,473,162**	3,358,044
Over five years	**963,941**	908,650
Total Borrowings	**7,667,399**	6,763,665

The Group has the following undrawn borrowing facilities:

	As of 31 December	
	2018	2017
	(in RMB thousands)	
Floating rate:		
Expiring within one year	76,000	—
Expiring beyond one year	252,000	76,000
	328,000	76,000
Fixed rate:		
Expiring over one year	70,000	124,700
	398,000	200,700

GEARING RATIO

The Group's gearing ratio is calculated by dividing (i) the Group's total borrowings less cash and cash equivalents and restricted cash, being the Group's net debt, by (ii) the sum of net debt and the Group's total equity, being the Group's total capital. As of 31 December 2017 and 2018, the Group's gearing ratio was 34.2% and 31.6%, 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 RMB1,754.6 million in 2018. In 2017, the Group made capital expenditure of RMB2,167.0 million. The Group's capital expenditure in 2018 was funded primarily by cash generated from its operating activities and bank borrowings.

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2018, there were no significant unrecorded contingent liabilities, guarantees or litigations against the Group.

CHARGE ON GROUP ASSETS

As of 31 December 2018, investment properties of the Group with a total fair value amount of RMB13,257.0 million (2017: RMB12,110.0 million) were pledged as collateral mortgaged to secure bank borrowings of the Group. See Note 18 set out in the consolidated financial statements in this annual report for further details.

FUNDING AND TREASURY POLICY

The Group adopts a stable, conservative approach on 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 2018, 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 of the Company (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 2018, the Group had a total of 170 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 members 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 2018, 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 RMB49.5 million, representing approximately 8.5% 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 0.49% 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, among which 1,864,000 shares were forfeited during 2018 and 11,096,200 shares remained outstanding as of 31 December 2018.

DIVIDENDS

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2018.

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Shifa (李士發), aged 55, 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 18 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) from January 2013 to July 2018 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 38, was appointed as an executive director of the Company and the chief executive officer of the Group on 25 April 2014 and 26 March 2018 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, being responsible for the management of the Group's marketing and leasing operations and its development strategy, as well as the business expansion of the Group. Mr. Pan has been the chief executive officer of Shanghai Yupei since January 2018 in charge of its overall operational management. He served as chief operating officer of the Company for the period from November 2013 to March 2018. He also serves as directors at a number of the Group's subsidiaries. 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.

Mr. Wu Guolin (吳國林), aged 49, was appointed as an executive director and the chief operating officer of the Company on 30 March 2017 and 26 March 2018 respectively. 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 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 37, was appointed as an executive director and vice-president of the Company on 30 March 2017 and 26 March 2018 respectively. 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.

Mr. Chen Runfu (陳潤福), aged 54, 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 of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3377). Mr. Chen has served over 24 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.

Mr. Cheuk Shun Wah (卓順華), aged 53, was appointed as an executive director and the chief financial officer of the Company on 17 August 2017 and 26 March 2018 respectively. Mr. Cheuk joined the Group in October 2016 as a senior vice-president of the Company. Mr Cheuk is responsible for overseeing the Company's capital markets and investor relationships functions, as well as its financial management and control. He is a finance and accounting veteran with near 30 years of experience in Europe and Asia. Prior to joining the Group, he was the chief financial officer of Trendy International Group Ltd, an international fashion conglomerate, from 2012 to 2016, where he was responsible for overseeing and supervising the overall finance and related operations of the company. Mr. Cheuk has held senior finance positions at multinational companies. He was head of group strategic development at Dickson Concepts (International) Limited, a company engaging in the retail and wholesale distribution and licensing of luxury products, and listed on the Main Board of the Stock Exchange (stock code: 0113), from 2011 to 2012, where he was responsible for formulating and driving business development strategies. From 2007 to 2011, he was the senior vice president (group finance) of Esprit Holdings Limited (a company engaged in the retail and distribution and licensing of lifestyle products and listed on the Main Board of the Stock Exchange (stock code: 0330)), where he was responsible for overseeing and managing the finance and accounting matters at the group level and led a team which included finance, information technology, legal and tax functions in the integration of business from the PRC. From 2004 to 2007, he was the chief financial officer and senior vice president of Shanghai Lotus Supermarket Chain Store Co., Ltd (a subsidiary of the Charoen Pokphand Group and a foreign supermarket chain operating in the PRC), where he was responsible for overseeing and managing the finance and accounting matters of the company. From 2003 to 2004, he was the director of finance (Asia) at Esprit Regional Service Limited, a subsidiary of Esprit Holdings Limited, where he was in charge of the finance and accounting matters of the regional businesses in Asia. From 1993 to 2003, Mr. Cheuk has also held various positions at A.S. Watson Group (a subsidiary of CK Hutchison Holdings Limited and an international health and beauty retailer), including finance director, global finance director and regional financial controller, where he was responsible for, amongst others, overseeing and directing financial activities of the company and leading teams at a number of divisions. Mr. Cheuk was an associate member of the Hong Kong Institute of Certified Public Accountants from April 1993 and has been a fellow member since February 2004. He has also been a fellow of The Association of Chartered Certified Accountants since October 1997. He obtained a professional diploma in accountancy from The Hong Kong Polytechnic University in 1989 and he holds a Master of Business Administration degree conferred by the University of South Australia in May 1998.

Ms. Shi Lianghua (石亮華), aged 48, was appointed as an executive director of the Company on 17 August 2017. Ms. Shi 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. Ms. Shi is responsible for managing project financing, contracting, planning and design, cost control and 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) 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) 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, a member of a state-owned construction group, 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 controller in 2005, during which she was responsible for contract executions and managing business operations, until April 2007. She then assumed the position of chief officer at the engineering and construction center 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.

Non-executive Directors

Mr. Huang Xufeng (黃旭鋒), aged 39, was appointed as a non-executive director of the Company on 28 December 2017. Mr. Huang has extensive experience in asset management and investments. Mr. Huang is currently deputy general manager of Anbang Asset Management Co., Ltd. (安邦資產管理有限責任公司) and the general manager of the investment management department of Anbang Insurance Group Co., Ltd. (安邦保險集團股份有限公司). Prior to his current positions, Mr. Huang served as a senior staff member and a principal staff member at the Department of Market Operation and Coordination of the Ministry of Commerce (商務部市場運行調節司) of the PRC from August 2004 to October 2008; person-in-charge at the research division of the Special Commissioner's Office in Hangzhou of the Ministry of Commerce (商務部駐杭州特辦調研處) of the PRC from November 2008 to May 2011; assistant general manager of HXFB Financial & Investment Management Co., Ltd. (華夏富邦金融投資管理有限公司) from June 2011 to March 2012; and from March 2012 to August 2014, he has served positions including deputy general manager and general manager at the investment banking division, as well as the assistant general manager, of ABC International (China) Investment Co., Ltd. (農銀國際(中國)投資有限公司). Mr. Huang obtained a bachelor's degree in agricultural economics and management from the College of Economics and Management at the China Agricultural University (中國農業大學經濟管理學院) in the PRC in July 2002, and a master's degree in agricultural economics and management from the Chinese Academy of Agricultural Sciences (中國農業科學院) in the PRC in July 2004.

Ms. Li Qing (李慶), aged 32, 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.

Mr. Fu Bing (傅兵), aged 42, was appointed as a non-executive director of the Company on 11 May 2018, and has extensive experience in logistics and supply chain management. Mr. Fu is currently vice-president of JD.com, Inc., a leading technology-driven e-commerce company and retail infrastructure service provider in China listed on the NASDAQ (stock code: JD), and head of the logistics planning and development department of JD Logistics Group, the logistics arm of JD.com, Inc.. Prior to his current positions, Mr. Fu served as a director of operations at the Sinotrans Logistics Development Co., Ltd. (中外運物流發展有限公司) from March 2005 to May 2011; and a consulting director for supply chain management at Accenture PLC (埃森哲), a management consulting company, from May 2011 to March 2014. In addition, Mr. Fu has also been serving as vice-chairman of the China Transportation Association Intelligent Logistics Special Committee (中國交通運輸協會智能物流專委會) and China E-Commerce Logistics Industrial Alliance (中國電商物流產業聯盟) since September 2017 and December 2017, respectively; and a committee member of the Supply Chain Special Committee of the China Chain Store & Franchise Association (中國連鎖經營協會供應鏈專委會) since July 2016. Furthermore, Mr. Fu founded the online logistics technology forum, namely the "Logclub", in 2005. Mr. Fu obtained a bachelor's degree in industrial automation from the College of Information Engineering at the University of Science and Technology Beijing (北京科技大學) in the PRC in July 2000.

Independent Non-executive Directors

Mr. Guo Jingbin (郭景彬), aged 61, 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 35 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 China Tian Yuan Healthcare Group Limited (中國天元醫療集團有限公司), 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 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), 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 50, 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 a 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 Regal International Airport Group Company Limited (瑞港國際機場集團股份有限公司), formerly known as HNA Infrastructure Company Limited (海航基礎股份有限公司), 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.

Mr. Wang Tianye (王天也), aged 60, 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 25 years of experience in finance and investment and has served various senior management positions at companies in the property development and real estate industry. From October 2015 to February 2018, 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). 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. Mr. Wang has been a senior consultant of Top Spring since March 2018. Besides, Mr. Wang is an independent non-executive director of Top Education Group Ltd.,(澳洲成峰高教集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1752) since April 2018. 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 61, 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), 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 36 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.

Mr. Chen Yaomin（陳耀民）, aged 56, 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 30 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

Mr. Zheng Zhengfu（鄭正富）, aged 38, was appointed as vice-president and secretary general of the Secretariat of the Board of the Company on 26 March 2018 and 15 June 2017, respectively. Mr. Zheng joined Shanghai Yupei as the secretary to the Chairman in July 2013 and was appointed as the deputy director of the office of the president and secretary general of the secretarial office of the chairman in June 2014, and was subsequently appointed as vice-president in January 2018. Mr. Zheng is responsible for administration and human resources matters and the daily operations of the Secretariat of the Board. Prior to joining the Group, Mr. Zheng served as secretary to the president, deputy director and director of the office of the president and assistant to the chairman (being responsible for administration and human resources matters) at Biaoma Group Co., Ltd.（彪馬集團有限公司）from October 2005 to July 2013; and as the assistant to the chairman of Taizhou Huahui Copper Industry Co., Ltd.（台州市華輝銅業有限公司）from August 2004 to September 2005. Mr. Zheng obtained a graduate diploma in secretarial studies from the Zhejiang Gongshang University（浙江工商大學）, the PRC, in July 2005.

COMPANY SECRETARY

Ms. So Ka Man（蘇嘉敏）, aged 45, was appointed as the company secretary on 10 March 2016. She is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. So is a chartered secretary and a fellow 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. Apart from the Company, Ms. So has been providing professional secretarial services to a number of listed companies.

Directors' Report

The Board of Directors of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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

As of 31 December 2018, the Company had 150 logistics facilities in operation in 32 logistics parks, located in logistics hubs in 16 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 44.2% from RMB403.9 million in 2017 to RMB582.3 million in 2018. The Group's gross profit increased from RMB275.7 million in 2017 to RMB433.9 million in 2018. As of 31 December 2018, the Group recorded a net current assets of RMB478.6 million as compared with a net current assets of RMB409.4 million recorded as of 31 December 2017.

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 2018, revenue generated from the Group's single largest tenant accounted for approximately 34.4% of its total revenue while revenue attributable to its five largest tenants accounted for approximately 50.8% 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 29.5% and 73.5% to its construction cost incurred during the year ended 31 December 2018, 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 77 to 104 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

Consistent with the Board's commitment to maintaining the well-being of the Group and protecting the Group's long-term interest, share repurchase exercises were implemented in January 2019. The Company repurchased 13,576,000 ordinary shares of its own through the Stock Exchange from 17 January 2019 to 25 January 2019 at an aggregate price of HK$29,031,280, which does not include any fees associated with the repurchases. The highest and lowest price per share paid for the repurchases were HK$2.35 and HK$1.93, respectively. Subsequent to these share repurchase exercises, the Company has cancelled 13,576,000 shares on 8 February 2019, representing approximately 0.42% of the total number of issued shares of the Company immediately prior to such repurchases and cancellations. After the cancellation, the number of Company's ordinary shares in issue was reduced from 3,245,277,999 to 3,231,701,999. As of the date of this annual report, all of the above repurchased shares were cancelled.

Save for the abovementioned, no significant event affecting the Group has occurred since 31 December 2018.

Outlook for 2019

In 2019, 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 2018 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 111 to 236.

DIVIDEND POLICY

In December 2018, the Board has adopted a dividend policy (the "**Dividend Policy**") in accordance with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), which sets out principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company, and the factors that should be taken into account in determining any dividend for distribution to the shareholders of the Company. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of the Association of the Company and all applicable laws and regulations and the factors set out below. The Company does not have any pre-determined dividend payout ratio. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends: (i) financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) capital requirements and expenditure plans; (vi) interests of shareholders; (vii) any restrictions on payment of dividends; and (viii) any other factors that the Board may consider relevant. The Board will review the Dividend Policy as appropriate from time to time.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to the shareholders of the Company for the year ended 31 December 2018.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2018 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 2018 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 2018 are set out in Note 33 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year ended 31 December 2018 amounted to RMB30,000.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

ISSUE OF EQUITY SECURITIES

As disclosed in the Company's announcement dated 27 April 2018, the Company entered the Subscription Agreement with JD Subscriber on 27 April 2018. Pursuant to the Subscription Agreement, upon completion of the subscription on 11 May 2018, the Company allotted and issued, and JD Subscriber subscribed for, 321,068,999 shares of the Company, at the subscription price of HK$2.80 per Subscription Share (the "**Subscription**").

The net subscription price per Subscription Share, after deduction of relevant expenses, is approximately HK$2.797. The closing price of the shares of the Company on the date of the Subscription Agreement was HK$2.65 per share of the Company as quoted on the Stock Exchange.

The gross proceeds from the Subscription amounted to HK$898,993,197.20, while the net proceeds from the Subscription (after deducting the expenses incurred in the Subscription) amounted to approximately HK$898.08 million, among which approximately HK$672.00 million have been used for the development of additional logistics park projects and approximately HK$223.37 million have been used for working capital and other general corporate purposes during the year ended 31 December 2018, and HK$2.71 million remains unutilized as of 31 December 2018 but have been used for working capital and other general corporate purposes as of the date of this annual report, in each case in accordance with the intentions as previously disclosed by the Company in the announcement of the Company dated 27 April 2018. The unutilized proceeds have been fully utilized as of the date of this annual report.

JD Subscriber is a subsidiary of JD.com, Inc. which is in turn a leading technology-driven e-commerce company and retail infrastructure service provider in China. JD Subscriber and its affiliates are one of the Company's major tenants of the logistics facilities operated by the Group. The investment by JD Subscriber enables the Company to achieve the following synergies: (i) facilitation in site selection and network establishment; (ii) ensuring a high occupancy rate; and (iii) improving gearing ratio and liquidity. Moreover, the issue of shares of the Company under the Subscription has, amongst other things, provide additional capital for the business operations of the Group.

For further details, please refer to the announcements of the Company dated 27 April 2018 and 11 May 2018.

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

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 2018.

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 of the Company 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 of the Company, which represent approximately 0.89% of the total issued shares of the Company as of the date of this annual report. As of 31 December 2018, options to subscribe for an aggregate of 15,824,000 shares (representing approximately 0.49% 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.

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 of the Company issued under the initial public offering of the Company, being HK$1.625 per share of the Company.

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 of the Company underlying the Pre-IPO Options on the first anniversary date of the Listing Date;

2. as to 30% of the aggregate number of shares of the Company 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 of the Company underlying the Pre-IPO Options on the third anniversary date of the Listing Date.

Each option granted under the Pre-IPO Share Option Scheme is valid for five years from the date of grant provided that none of the Pre-IPO Options shall be exercisable prior to the Listing Date. As of 31 December 2018, 6,213,000 Pre-IPO Options have been vested and exercisable.

Details of the outstanding options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2018 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 of the Company represented by the outstanding share options as at 1 January 2018	Exercised during the year	Cancelled during the year	Lapsed during the year	**Number of shares of the Company represented by the outstanding share options as at 31 December 2018**
Directors								
Pan Naiyue *(Chief*	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	633,600	–	–	–	**633,600**
Executive Officer)	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	633,600	–	–	–	**633,600**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	844,800	–	–	–	**844,800**
				2,112,000	–	–	–	**2,112,000**
Zhang Long *(resigned*	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	633,600	(633,000)	–	(600)	**–**
as an executive director	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	633,600	–	–	(633,600)	**–**
effective from 11 May 2018)	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	844,800	–	–	(844,800)	**–**
				2,112,000	(633,000)	–	(1,479,000)	**–**
Wu Guolin	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	561,600	–	–	–	**561,600**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	561,600	–	–	–	**561,600**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	748,800	–	–	–	**748,800**
				1,872,000	–	–	–	**1,872,000**
Li Huifang	28 March 2016	$1.625	From 15 July 2017 to 28 March 2021	211,200	–	–	–	**211,200**
	28 March 2016	$1.625	From 15 July 2018 to 28 March 2021	211,200	–	–	–	**211,200**
	28 March 2016	$1.625	From 15 July 2019 to 28 March 2021	281,600	–	–	–	**281,600**
				704,000	–	–	–	**704,000**
Shi Lianghua	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	494,400	–	–	–	**494,400**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	494,400	–	–	–	**494,400**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	659,200	–	–	–	**659,200**
				1,648,000	–	–	–	**1,648,000**

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 of the Company represented by the outstanding share options as at 1 January 2018	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of shares of the Company represented by the outstanding share options as at 31 December 2018
Li Qing	28 March 2016	$1.625	From 15 July 2017 to 28 March 2021	561,600	–	–	–	**561,600**
	28 March 2016	$1.625	From 15 July 2018 to 28 March 2021	561,600	–	–	–	**561,600**
	28 March 2016	$1.625	From 15 July 2019 to 28 March 2021	748,800	–	–	–	**748,800**
				1,872,000	–	–	–	**1,872,000**
				10,320,000	(633,000)	–	(1,479,000)	**8,208,000**
Members of senior management & other employees of the Group								
In aggregate	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	1,526,400	(1,199,800)	–	–	**326,600**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	1,363,200	(650,200)	–	(1,000)	**712,000**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	1,817,600	–	–	(384,000)	**1,433,600**
	28 March 2016	$1.625	From 15 July 2017 to 28 March 2021	124,800	–	–	–	**124,800**
	28 March 2016	$1.625	From 15 July 2018 to 28 March 2021	124,800	–	–	–	**124,800**
	28 March 2016	$1.625	From 15 July 2019 to 28 March 2021	166,400	–	–	–	**166,400**
				5,123,200	(1,850,000)	–	(385,000)	**2,888,200**
Total				15,443,200	(2,483,000)	–	(1,864,000)	**11,096,200**

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 2018 and as at the date of this annual report and their respective positions were:

Name	Position
Mr. Li Shifa	Chairman of the Board and Executive Director
Mr. Pan Naiyue	Executive Director
Mr. Zhang Long *(resigned on 11 May 2018)*	Executive Director
Mr. Wu Guolin	Executive Director
Ms. Li Huifang	Executive Director
Mr. Chen Runfu	Executive Director
Mr. Cheuk Shun Wah	Executive Director
Ms. Shi Lianghua	Executive Director
Mr. Huang Xufeng	Non-executive Director
Ms. Li Qing	Non-executive Director
Mr. Fu Bing *(appointed on 11 May 2018)*	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. Chen Yaomin	Independent Non-executive Director

The Company's circular, sent together with this annual report, contains detailed information of the Directors retiring and to be re-elected at the Company's forthcoming annual general meeting as required by the Listing Rules.

The biographical details of the current Directors and senior management of the Company as at the date 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 Listing Rules.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Li Shifa and Mr. Pan Naiyue 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. Cheuk Shun Wah and Ms. Shi Lianghua has signed a service contract with the Company on 17 August 2017 commencing from even date. Mr. Huang Xufeng has entered into a letter of appointment with the Company on 28 December 2017 commencing from even date. Each of 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 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. Mr. Fu Bing has signed a letter of appointment with the Company on 11 May 2018 commencing from 11 May 2018.

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 proposed for re-election at the forthcoming annual general meeting 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, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin), and the Company considers such Directors to be independent for the year ended 31 December 2018.

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 2018, 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 ordinary shares/underlying 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)]	887,600,000	27.35%
Pan Naiyue[(4)]	Beneficial Owner	2,112,000	0.07%
Wu Guolin[(5)]	Beneficial Owner	1,872,000	0.06%
Li Huifang[(6)]	Beneficial Owner	704,000	0.02%
Shi Lianghua[(7)]	Beneficial Owner	1,648,000	0.05%
Li Qing[(8)]	Beneficial Owner	1,872,000	0.06%

Notes:

(1) All interests stated are long positions.

(2) As of 31 December 2018, the Company had 3,245,277,999 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 887,600,000 shares of the Company held by Yupei International Investment Management Co., Ltd.

(4) Mr. Pan Naiyue is interested in 2,112,000 options granted to him under the Pre-IPO Share Option Scheme, representing 2,112,000 underlying shares of the Company.

(5) Mr. Wu Guolin is interested in 1,872,000 options granted to him under the Pre-IPO Share Option Scheme, representing 1,872,000 underlying shares of the Company.

(6) Ms. Li Huifang is interested in 704,000 options granted to her under the Pre-IPO Share Option Scheme, representing 704,000 underlying shares of the Company.

(7) Ms. Shi Lianghua is interested in 1,648,000 options granted to her under the Pre-IPO Share Option Scheme, representing 1,648,000 underlying shares of the Company.

(8) Ms. Li Qing is interested in 1,872,000 options granted to her under the Pre-IPO Share Option Scheme, representing 1,872,000 underlying shares of the Company.

(b) Interests 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 2018, 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 2018, 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 of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as the Directors are aware:

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)]	887,600,000	27.35%
Yupei International Investment Management Co., Ltd[(3)]	Beneficial owner	887,600,000	27.35%
Ma Xiaocui	Interest of spouse[(4)]	887,600,000	27.35%
RRJ Capital Master Fund II, L.P.	Interest of controlled corporation[(5)]	544,384,000	16.77%
Warburg Pincus & Co.	Interest of controlled corporation[(6)]	443,148,000	13.66%
WP X Investment VI Ltd.	Interest of controlled corporation[(6)]	443,148,000	13.66%
ESR Cayman Limited[(6)]	Beneficial owner; Interest of controlled corporation[(6)]	443,148,000	13.66%
ESR HK Management Limited[(6)]	Beneficial owner	390,151,000	12.02%
劉強東	Beneficiary of a trust (other than a discretionary interest)[(7)]	321,068,999	9.90%
Max Smart Limited	Interest of controlled corporation[(7)]	321,068,999	9.89%
JD.com, Inc.	Interest of controlled corporation[(7)]	321,068,999	9.89%
Jingdong Logistics Group Corporation[(7)]	Beneficial owner	321,068,999	9.89%
Sino-Ocean Group Holding Limited	Interest of controlled corporation[(8)]	287,741,000	8.87%

Notes:

(1) All interests stated are long positions.

(2) As of 31 December 2018, the Company had 3,245,277,999 issued shares of the Company.

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

(5) RRJ Capital Master Fund II, L.P. holds the entire issued share capital of Berkeley Asset Holding Ltd, which holds 531,424,000 shares of the Company. 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 of the Company. 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.

(6) As of 31 December 2018, ESR Cayman Limited holds the entire issued share capital of ESR HK Management Limited, which holds 390,151,000 shares of the Company. As of 31 December 2018, ESR Cayman Limited holds 52,997,000 shares. As a result, ESR Cayman Limited is a beneficial owner as to 52,997,000 shares of the Company and is deemed to be interested in 390,151,000 shares of the Company held by ESR HK Management Limited. ESR Cayman Limited is indirectly owned as to 38.35% by WP X Investment VI Ltd, which is in turn indirectly owned as to 96.90% by Warburg Pincus & Co.. Accordingly, each of Warburg Pincus & Co. and WP X Investment VI Ltd is deemed to be interested in 443,148,000 shares of the Company.

(7) 劉強東 (Mr. Richard Qiangdong Liu) controls 100% shares of Max Smart Limited, which in turn controls 72.63% shares of JD.com, Inc.. JD.com, Inc. holds the entire issued share capital of Jingdong Logistics Group Corporation. Accordingly, each of 劉強東, Max Smart Limited and JD.com, Inc. is deemed to be interested in the 321,068,999 shares of the Company held by Jingdong Logistics Group Corporation.

(8) Sino-Ocean Group Holding Limited is deemed to be interested in the 287,741,000 shares of the Company through a series of controlled corporations, including, among others, Shine Wind Development Limited, Faith Ocean International Limited, Sino-Ocean Land (Hong Kong) Limited and Joy Orient Investments Limited.

Save as disclosed above, as of 31 December 2018, the Directors or chief executive of the Company 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 2018, revenue attributable to the Group's largest tenant accounted for approximately 34.4%, while the revenue attributable to the Group's five largest tenants accounted for approximately 50.8% 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 2018.

During the year ended 31 December 2018, transaction amounts with the Group's largest contractor accounted for approximately 29.5%, five largest contractors accounted for approximately 73.5%, 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 2018.

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 2018.

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 2 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, 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 2018, 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 RMB2,539 million.

BANK BORROWINGS AND OTHER LOANS

Particulars of bank borrowings and other loans of the Group as of 31 December 2018 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, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin) 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 2018. 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 2018 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.

SECURED NOTES

In February 2018, the Group successfully issued senior notes in the aggregate principal amount of US$100,000,000 which bear interest at a rate of 9.00% per annum and are due in February 2019. As of the date of this annual report, the Company has utilized the net proceeds from the issuance to repay existing offshore indebtedness and for general corporate purposes and has redeemed all of such senior notes. For details, please refer to the announcements of the Company dated 31 January, 2 February and 7 February 2018.

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 the 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**"), Shanghai Yupei Express Logistics Company Limited（上海宇培速通物流有限公司）("**Shanghai Yupei Express Logistics**") and Yupei Supply Chain Management Group Co., Ltd. (宇培供應鏈管理集團有限公司) ("**Shanghai Yupei Supply Chain**") 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 2015 Yushuo Group Transactions, the 2017 Property Lease Transactions and the 2018 Property Lease Transactions as detailed below have been entered among relevant members of the Yushuo Group as lessee, on the one hand, and relevant members of the Group, as lessor, on the other, which constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The 2015 Yushuo Group Transactions

Reference is made to the Prospectus with respect to the property leasing transactions among relevant members of the Group (as lessors) and certain members of the Yushuo Group (as lessees). The annual cap for each of the property lease agreements for the year ended 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 agreements. None of the annual caps under the property lease agreements have been exceeded for the financial year ended 31 December 2018.

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands) For the year ended 31 December 2018	Actual Transaction Amount (RMB in thousands) For the year ended 31 December 2018
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	5,975.5	5,691.0
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	1,152.0	–
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	822.9	–

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands) For the year ended 31 December 2018	Actual Transaction Amount (RMB in thousands) For the year ended 31 December 2018
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	1,655.7	–
Wuhu Yupei Warehousing Company Limited	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	5,555.5	2,642.8

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands) For the year ended 31 December 2018	Actual Transaction Amount (RMB in thousands) For the year ended 31 December 2018
Suzhou Yupei Warehousing Company Limited	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	3,328.3	3,167.7
Suzhou Yupei Warehousing Company Limited	Shanghai Yupei Express Logistics	Six units at a dormitory building 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	34.3

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.

The 2017 Property Lease Transactions

Reference is made to the announcement and circular of the Company dated 19 April 2017 and 12 May 2017, respectively, where the Company announced that on 19 April 2017, the Company entered into a lease framework agreement (the "**2017 Lease Framework Agreement**") with Shanghai Yushuo Investment Holdings Co., Ltd. for a term of three years commencing from 19 April 2017 to 18 April 2020, pursuant to which the Company and Shanghai Yushuo Investment Holdings Co., Ltd. agreed that relevant members of the Group and relevant members of the Yushuo Group shall further enter into the separate lease agreements (the "**2017 Lease Agreements**") in respect of the leasing of each of the relevant premises (the "**Premises**") based on the pricing policy set out in the 2017 Lease Framework Agreement. The 2017 Lease Framework Agreement sets out a framework of the terms on which the Company has agreed to procure members of the Group to lease the Premises (including warehouse areas, office premises and canopy areas) to members of the Yushuo Group in relation to its business and operations. The relevant members of the Group have further entered into separate 2017 Lease Agreements with relevant members of the Yushuo Group in order to set out the specific terms and conditions of the leasing of the Premises.

The property leasing transactions are subject to the annual caps in respect of the years ended 31 December 2017 and 2018 and the year ending 31 December 2019, being the aggregate rentals and service fees payable to the Group by relevant members of the Yushuo Group under the respective 2017 Lease Agreements for the Premises in each year, respectively.

The annual caps for the lease transactions contemplated under the 2017 Lease Framework Agreement and as approved by the independent shareholders at the extraordinary general meeting of the Company held on 8 June 2017 during the year ended 31 December 2018 and the year ending 31 December 2019 are RMB14,871,000 and RMB15,316,000, respectively. During the year ended 31 December 2018, the actual transaction amount was RMB14,155,000 and the annual cap has not been exceeded.

The 2018 Property Lease Transactions

Reference is made to the announcement and circular of the Company both dated 25 April 2018, where the Company announced that on 25 April 2018, the Company entered into a lease framework agreement (the "**2018 Lease Framework Agreement**") with Shanghai Yushuo Investment Holdings Co., Ltd., pursuant to which the Company and Shanghai Yushuo Investment Holdings Co., Ltd. agreed that relevant members of the Group and relevant members of the Yushuo Group shall further enter into the separate lease agreements (the "**2018 Lease Agreements**") in respect of the leasing of each of the relevant premises, which exclusively includes the Four Premises and the 2018 Premises as defined in the announcement dated 25 April 2018, based on the pricing policy as set out in the 2018 Lease Framework Agreement.

Reference is further made to the Prospectus in relation to, inter alia, the 2015 Yushuo Group Transactions. The existing leases in respect of the Four Premises have expired on 31 December 2018. The relevant members of the Group and relevant members of the Yushuo Group intended to renew the property leases in respect of the leasing of each of the Four Premises. In light of the increased business need for warehouse storage space, logistics use and offices of relevant members of the Yushuo Group, relevant members of the Group, on the one hand, and (1) Shanghai Yupei Supply Chain and (2) Shanghai Yupei Industry, respectively, on the other, wished to enter into lease agreements in respect of the leasing of each of the 2018 Premises.

The 2018 Lease Framework Agreement sets out a framework of the terms on which the Company has agreed to procure members of the Group to lease the each of the Four Premises and the 2018 Premises (including warehouse areas, office premises and canopy areas) to members of the Yushuo Group in relation to its business and operations. The relevant members of the Group have further entered into separate agreements with the relevant members of the Yushuo Group in order to set out the specific terms and conditions of the leasing of each of the Four Premises and the 2018 Premises.

The 2018 Property Lease Transactions are subject to the annual caps in respect of the year ended 31 December 2018 and the years ending 31 December 2019 and 2020, being the aggregate rentals and service fees payable to the Group by relevant members of the Yushuo Group under the respective 2018 Lease Agreements for the Four Premises and the 2018 Premises in each year, respectively.

The annual caps for the lease transactions contemplated under the 2018 Lease Framework Agreement and as approved by the independent shareholders at the extraordinary general meeting of the Company held on 8 June 2018 during the year ended 31 December 2018 and the years ending 31 December 2019 and 31 December 2020 are RMB13,172,000, RMB62,324,000 and RMB66,418,000, respectively. During the year ended 31 December 2018, the actual transaction amount was RMB10,499,000 and the annual cap has not been exceeded.

In the opinion of the independent non-executive Directors (being Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin), all of the aforementioned 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 of the Company 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 2018 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, 28 March 2019

Corporate Governance Report

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2018.

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 CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2018.

The Board considers that during the year ended 31 December 2018, the Company has complied with the code provisions set out in the CG Code, except for 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 year ended 31 December 2018.

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 2018:

Board of Directors

Executive Directors
Mr. Li Shifa, *Chairman of the Board and President*
Mr. Pan Naiyue, *Chief Executive Officer*
Mr. Wu Guolin
Ms. Li Huifang
Mr. Chen Runfu
Mr. Cheuk Shun Wah
Ms. Shi Lianghua

Non-executive Directors
Mr. Huang Xufeng
Ms. Li Qing
Mr. Fu Bing

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

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

During the year ended 31 December 2018, 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. Moreover, in order to better comply with code provision A.2.1 of the CG Code, with effect from 26 March 2018, Mr. Pan Naiyue, an executive director of the Company, has been appointed as the chief executive officer of the Group in succession to Mr. Li. 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. The Board currently comprises seven executive Directors (including Mr. Li and Mr. Pan Naiyue), three non-executive Directors and five 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.

The Company's circular, sent together with this annual report, contains detailed information of the Directors retiring and to be re-elected at the Company's forthcoming annual general meeting 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.

During the year ended 31 December 2018, the Company has provided reading materials on regulatory update to all its Directors, namely, Mr. Li Shifa, Mr. Pan Naiyue, Mr. Wu Guolin, Ms. Li Huifang, Mr. Chen Runfu, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Mr. Huang Xufeng, Ms. Li Qing, Mr. Fu Bing, Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick, Mr. Chen Yaomin and Mr. Zhang Long, for their reference and studying. Besides, Mr. Li Shifa, Mr. Pan Naiyue, Mr. Wu Guolin, Ms. Li Huifang, Mr. Chen Runfu, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Ms. Li Qing, Mr. Fu Bing, Mr. Guo Jingbin, Mr. Fung Ching Simon and Mr. Leung Chi Ching Frederick attended other seminars and training sessions arranged by the Company/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 regular Board meetings, Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2018 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Li Shifa	8/8	—	2/2	1/1	1/1	1/1
Mr. Pan Naiyue	8/8	—	—	—	1/1	1/1
Mr. Wu Guolin	8/8	—	—	—	1/1	1/1
Ms. Li Huifang	8/8	—	—	—	1/1	1/1
Mr. Chen Runfu	8/8	—	—	—	1/1	1/1
Mr. Cheuk Shun Wah	8/8	—	—	—	1/1	1/1
Ms. Shi Lianghua	8/8	—	—	—	1/1	1/1
Mr. Huang Xufeng	8/8	—	—	—	1/1	1/1
Ms. Li Qing	8/8	—	2/2	1/1	1/1	1/1
Mr. Fu Bing (Note 1)	5/5	—	—	—	1/1	1/1
Mr. Guo Jingbin	8/8	3/3	2/2	1/1	1/1	1/1
Mr. Fung Ching Simon	8/8	3/3	2/2	—	1/1	1/1
Mr. Wang Tianye	8/8	—	2/2	1/1	1/1	1/1
Mr. Leung Chi Ching Frederick	8/8	3/3	—	1/1	1/1	1/1
Mr. Chen Yaomin	8/8	—	—	—	1/1	1/1
Mr. Zhang Long (Note 2)	3/3	—	—	—	—	—

Notes:

1. Mr. Fu Bing was appointed as a non-executive Director on 11 May 2018. Subsequent to his appointment as a non-executive Director, 5 Board meetings, 1 annual general meeting and 1 extraordinary general meeting were held during the year ended 31 December 2018.

2. Mr. Zhang Long resigned as an executive Director on 11 May 2018. During the period from 1 January 2018 up to his resignation date, 3 Board meetings were held.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Audit Committee and the 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 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/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2018, the Remuneration Committee has performed the following major tasks:

— Review and discussion of the remuneration packages of Directors and senior management of the Group and the making of relevant recommendations to the Board; and

— Recommendation of the remuneration package of Mr. Fu Bing, the newly appointed Director, 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 by band for the year ended 31 December 2018 is set out below:

Remuneration	Number of individuals
Nil to RMB500,000	—
RMB500,001 to RMB1,000,000	1
RMB1,000,001 to RMB1,500,000	—

Details of the remuneration of each of the Directors for the year ended 31 December 2018 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 year ended 31 December 2018, the Audit Committee has performed the following major tasks:

— Review and discussion of the annual financial results and report for the year ended 31 December 2017 and interim financial results and report for the six months ended 30 June 2018;

— Review the Group's continuing connected transactions for the year ended 31 December 2017;

— Review of the scope of audit work, auditor's fees and terms of engagement for the year ending 31 December 2019;

— Review and discussion of internal audit findings and internal audit plan;

— Discussion and recommendation of the re-appointment of the external auditor;

— Review of the risk management and internal control systems; and

— Review of the arrangements for employees to raise concerns about possible improprieties.

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. 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 review the structure, size and composition (including the skills, knowledge and experience) of the Board and recommend any changes to the Board; identify qualified and suitable individuals to become Board members and select and make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors.

During the year under review, in response to the amendment to the CG Code effective on 1 January 2019, the Company has adopted the Director Nomination Policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of directors of the Company. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. In selecting and evaluating candidates for directorship, the Nomination Committee may make reference to certain criteria, such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate, and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. Each candidate shall be ranked by order of preference based on the needs of the Company and his/her reference check. The Nomination Committee shall report its findings and make recommendation to the Board on the appointment of appropriate candidate for directorship for decision.

The Company also recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed to attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talents; and to assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any. A Board diversity policy was adopted by the Company, pursuant to which the Board and the Nomination Committee is responsible for reviewing and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience) and for ensuring that changes to the Board's composition can be managed without undue disruption. The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board that are aligning with the Company's strategy and objectives.

During the year ended 31 December 2018, the Nomination Committee has performed the following major tasks:

— Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company with due regard for the benefits of diversity on the Board;

— Recommendation of the re-appointment of those directors standing for re-election at the 2018 annual general meeting of the Company;

— Assessment of the independence of all the independent non-executive Directors of the Company;

— Recommendation of the appointment of Mr. Fu Bing as a non-executive Director; and

— Recommendation of the appointment of senior management of the Company.

OBSERVANCE OF UNDERTAKING RELATING TO LEASE REGISTRATION

Historically, certain leases of the Group for its logistics facilities, offices and registered address were not 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 2018, 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 2018, 4 leases out of the 144 leases for the Group's logistics facilities (covering GFA of approximately 2,473,781 sq.m.) had been registered and the Group was in the process of registering the remaining 140 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 2018.

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 2018 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 2018 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 2018	3,600
Non-audit services:	
Interim review and others	1,000
TOTAL:	4,600

COMPANY SECRETARY

Ms. So Ka Man of Tricor Services Limited, an external service provider, has been engaged by the Company as its Company Secretary. The primary contact persons at the Company, whom Ms. So can contact, are Mr. Cheuk Shun Wah, an executive Director and Ms. Li Qing, a non-executive Director.

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. 1899, Shenkun Road, Minhang District, Shanghai, China (201106) (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 during the year ended 31 December 2018. 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"), headquartered in Shanghai, has a comprehensive logistics network in the People's Republic of China ("PRC"). We provide rental service of high-quality logistics facilities and have established solid relationships with a number of domestic and foreign top-tier customers.

Reporting Period and Scope

This is our third Environmental, Social and Governance ("ESG") Report (the "Report"). Unless otherwise specified, this Report covering the period from 1 January 2018 to 31 December 2018 (the "Reporting Period"), mainly outlines our strategies, measures and performance regarding sustainable development of our Shanghai, Hong Kong and Beijing offices and 30 logistics park projects with operational control. The Report is published in Chinese and English. If there is ambiguity or inconsistency between two versions, the Chinese version shall prevail.

Reporting Standards

In the preparation of this Report, we have complied with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") issued by Hong Kong Exchanges and Clearing Limited ("HKEx") and disclosed the performance of the Group in environmental and social aspects during the Reporting Period. For details of corporate governance, please refer to the Corporate Governance Report section in the annual report.

Reporting Principles

In the course of preparation of the Report, the Group adhered to the following reporting principles: materiality, quantitative, balance and consistency. For details, please refer to the table below.

Principle	What it means	Response of the Group
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the aspects that affect the assessments and decisions of stakeholders.	Through communication with the stakeholders, as well as taking into account the Group's business nature and development, material sustainability issues are identified.
Quantitative	This Report should disclose key performance indicators that are measurable.	As far as practicable, the Group discloses its key environmental and social performance indicators with quantitative measures.
Balance	This Report should present the positive and negative information of the Group in an objective manner, to reflect the sustainable development performance of the Group.	The Group has identified and disclosed the environmental, social and governance issues that have significant impact on the Group's business in this Report.
Consistency	The Group should confirm that the method used in preparation of ESG Report is consistent with prior year, or state the revised reporting methods, or illustrate other relevant factors that will affect meaningful comparison.	The reporting scope and reporting method are substantially consistent with those of the prior year, and this Report has also disclosed the relevant comparative information.

Confirmation and Approval

Reference made in this Report is sourced from the official documents, statistical data, and management and operation information of CNLP collected according to the systems of the Group. The content of this Report has been reviewed and approved by the Board of Directors of the Company in March 2019.

Your Opinion

We value the opinion of stakeholders and are pleased to received comments and suggestions concerning this Report and our performance of sustainable development from stakeholders. Please contact us via admin.yp@yupeigroup.com.

MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

On behalf of the Group, I am pleased to present our 2018 Environmental, Social and Governance Report. 2018 is a significant year for us. During the year, Harbin Yupei Logistics Park, Dalian Yupei Logistics Park, Kunming Yupei Logistics Park, Zhoushan Yupei Logistics Park and Shanxi Xixian Logistics Park successively opened for business, which further expanded our geographical coverage. While marching towards a logistics asset portfolio totaling 10,000,000 sq.m., we strived to fulfil our social responsibility, promote sustainable development, and create long-term value for our employees, shareholders and investors, tenants, suppliers, governments and communities.

With social development and heightened public awareness of environmental protection and overall well-being of the community, we believe that sustainability encompasses not only the expansion of our nationwide network of first-class logistics facility and service, but also underpins our environmental performance, community contributions as well as our relationships with employees, shareholders, customers and suppliers. Therefore, we studied, promoted and took adequate measures to rigidly fulfil ESG requirements in our pursuit of sustainable development.

As a responsible corporate citizen, we uphold green development and green operation. We put environmental protection at the heart of our operation, resonating with the environmental protection policy of Chinese government. We endeavor to adopt advanced energy-saving technologies and materials. Aspiring to be an exemplary role model in the industry, we are committed to environmental protection and combatting global climate change through reduction on carbon emissions and ecological impact in our daily operations as well as research and development.

Our employees transform our vision into action and turn our strategy into reality. They are of the essence when it comes to quality assurance. With the philosophy of "sharing the achievements with our people" at heart, we strive to provide a safe, healthy and friendly working environment with good career prospects and development opportunities to our employees by embracing the principle of anti-discrimination and enhancing their occupational health and safety awareness.

Our development and success are closely linked to the community where we operate. We spare no efforts in contributing to the community through different ways and fulfilling our responsibilities as a member of the community in the hope of promoting community development and maintaining harmony.

Through various communication channels in our daily operations, such as electronic survey, annual reports, meetings, site visits and regular dialogues, we engage with our stakeholders on an on-going basis. By understanding the views and expectations of our stakeholders, we sharpen our business strategies to better respond to their needs, anticipate risks, and strengthen key relationships. We will discuss issues most concerned by our stakeholder in different sections of this Report.

The preparation of the Environmental, Social and Governance Report provides a good opportunity for the Group to review our strategy in sustainable development. Looking forward, by adhering to the spirit of "Ceaseless self-improvement, learning and innovation", we will continue to regard sustainability as the focus of our corporate strategy in an effort to bring positive impact to the stakeholders and the wider community in China.

Mr. Li Shifa
Founder, Chairman, President and Executive Director
March 2019

OUR BUSINESS

About CNLP

We are listed in Hong Kong in 2016 and it has been our goal to become the largest supplier of quality logistics facilities in China. As one of the largest developers and operators of logistics infrastructure in China, our professional team strived to provide high-quality, efficient, reliable and standardized logistics and warehousing services, by ensuring that we have taken the first-class warehouse design and customers' demands into consideration for the designs and services of each step from development to operation. As of 31 December 2018, our network of logistics parks covers 16 provinces and municipalities across the PRC, with a total of 32 logistics park projects and 150 logistics facilities, which positions our customers well to benefit from the nationwide logistics advantages. Our strategic geographical layout and first-class logistics facilities have become the core strengths of our business sustainability.

Total floor area of logistics parks completed

2.83 Mm^2

(The picture on the right is Chenbei Logistic Park located in Shenyang Yupei)

Total area under construction

1.28 Mm^2

Total area reserved for development

0.42 Mm^2

Corporate Culture

Vision

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

Core Value

- **Macroscopic and long-term oriented**
  Overseeing the way to goal
- **Execution, Trust and Cooperation**
  Belief to unify the action and path
- **Credible, Practical and Grateful**
  Characters to strengthen the will
- **Innovative, Learning and Sharing**
  Culture to create a cultivating platform

The Mission

- **Keen to Grow**
  Continuing to upgrade to provide fruitful economic return for shareholders
- **Sharing Development**
  Providing a prosperous career development path
- **Continuing Innovate**
  Persistent to provide professional service experience to customer
- **Thankful to Contribute**
  Grateful to fulfill corporate social responsibility and give back to society

Management Idea

- **Reliable Service**
  Serving client with honor to earn trust and respect
- **Concrete Operation**
  Progressing step-by-step and gradually while insisting sustainable development
- **Customer First**
  Serving client with priority and honor while maximising client's interests
- **Co-Op, Co-Win**
  Working closely and sharing results with Customer

Code of Conduct

- **Self-Improvement**
  Independent and always striving for improvement to achieve the target
- **Efficient Execution**
  Agile, result-oriented and attempting to conclude
- **Hardworking and Innovative**
  Breaking through norms and saturated mindset
- **Strive for Excellence**
  Ambitious and motivated to improve

Human Resources Approach

- **People-Oriented**
  Talent is the most important asset that keeps the Group competitive and growing
- **Virtue Guided**
  Virtue defines talent and leads to success
- **All-round Talents**
  Appointing the right and capable talents
- **Developing in sync**
  Sharing the mission, developing and improving together and harmoniously

2018 Sustainability Highlights

Business

- Named Top 10 National-wide Logistics Property Enterprise 2017 by the China Association of Warehousing and Distribution
- Named 2018 China Excellent E-commerce Logistics Service Providers by the China Federation of Logistics & Purchasing
- Named Best Procurement Business Partner by Northern China Regional Branch of JD
- Named 2018 Excellent Property Owners by the Procurement Division of the Southwestern China Branch of Jingdong Logistics

Society

- The Firefly Paradise in Mahu Primary School, Feidong County, Hefei City, Anhui Province was officially established with the donation of the Group, the Shanghai Soong Ching Ling Foundation and The Bank of East Asia Charitable Foundation.

Environment

- Organized the 2nd Tree Planting Day of "Making the World a More Beautiful Place by Protecting the Environment Together"
- 43% of the electricity consumption in Wuhu and Jiaxing Logistics Parks is renewable solar energy

Our Approach to Sustainable Development

As a responsible pioneer in the industry, sustainability not just closely linked to our goal of expanding nationwide business network but is also an important element in the formulation of policies and goals in areas including environmental performance, community contributions as well as our relationships with our employees, shareholders, customers and suppliers. Therefore, we integrate environmental, social and governance considerations into our management, striving to counter global warming, look after employees' well-being and promote a harmonious community.

Stakeholder Communication and Engagement

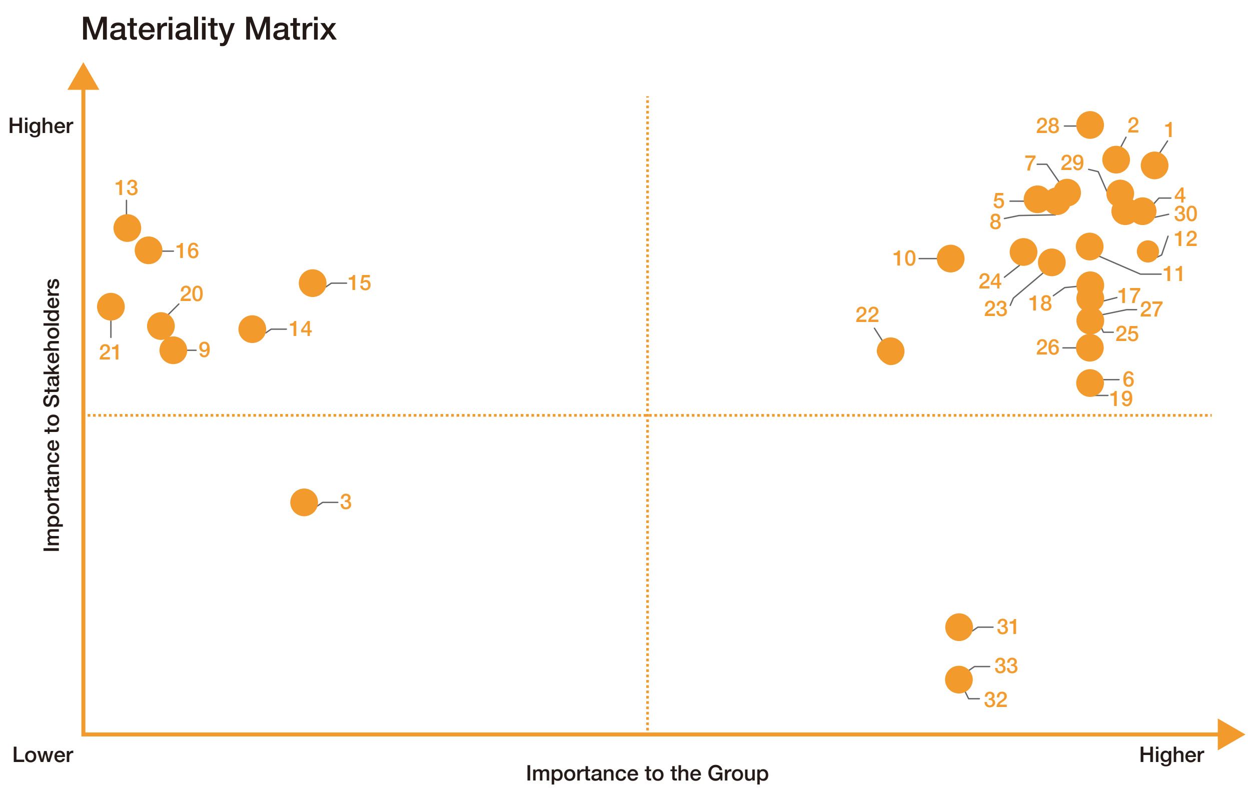
The support and trust from our stakeholders with different backgrounds are of utmost importance to our sustainable development. Through various communication channels in our daily operations, such as annual reports, meetings, site visits and regular dialogues, we maintained two-way communications with internal and external stakeholders to reinforce sound relationships and understand the expectations of our different stakeholder groups. By understanding their views, we can optimize our operation model and adapt our business strategies more effectively to respond to the needs of stakeholders. We will further discuss the issues considered to be material by stakeholders in different sections of this Report.

2018 Materiality Assessment and Analysis

In 2018, the Group collected opinions and expectations of stakeholders in respect of our environmental, social and governance performance through an online survey. This stakeholder engagement exercise provided a basis for identifying and prioritizing topics to be covered in the Report with the aid of materiality analysis. It also allowed us to make corresponding adjustment in better shaping our sustainability strategies. We have identified 33 EGS topics for this year's materiality analysis exercise .

We mapped the results of our materiality analysis onto a matrix to reflect the relative importance and impact of the 33 issues to our stakeholders and our business. This year, 22 topics were identified as material.

2018 Materiality Matrix



Issues in the top-right corner of the Matrix are considered to be material to the Group and stakeholders.

1	Logistics Park Security and Safety	12	Green Warehouse Facilities	23	Water Conservation Measures
2	Customer Services	13	Exhaust Gas Emission Management	24	Energy Conservation Measures
3	Marketing and Advertising Management	14	Noise Pollution Management	25	Suppliers Management Process
4	Facilities Specifications	15	Wastewater Management	26	Supplier Environmental and Social Performance Assessment
5	Employee Benefits	16	Hazardous Waste Treatment	27	Anti-Fraud and Corrupt
6	Anti-discrimination, Diversity and Equal Opportunities (age, sex, disability, etc.)	17	Construction Waste	28	Emergency Response Plan
7	Occupational Safety and Health	18	Use of Natural Resources (including energy, water and other raw materials)	29	Supervision of Construction Quality
8	Training and Development	19	Greenhouse Gas Emissions Management (including use of renewable energy)	30	Health and Safety of Construction Workers
9	Prevention of Child and Forced Labour	20	Exhaust Gas Emission Management	31	Participation in Voluntary Work
10	Employment Relationship and Communication with Employees	21	Hazardous Waste Treatment	32	Charitable Donations
11	Project Environmental Impact Analysis	22	Treatment of Household Refuse and Other Non-hazardous Wastes	33	Organization of Charitable Activities

SUSTAINABLE HIGH-QUALITY LOGISTICS PARK

We are always committed to promoting sustainable warehousing operations, shouldering social responsibility of being an industry leader, and actively focusing on and standing ready to face climate change and other environmental challenges. We hope to constantly enhance our development and operation capabilities via continuous innovation, and create better value for customers. The Group embraces ESG considerations in the decision-making process at all stages of logistics park projects, including project site selection, construction materials selection, design and planning of the park and other pre-development works, as well as subsequent daily operation and management, in order to reduce the impact on the environment and the community where we live and work, further strengthen the relationships with stakeholders and enhance the value of our services to customers.

Project Planning & Development

Green Development & Construction

Project Environmental Impact Analysis

Environmental Protection at Construction Site

(i) Air Pollution Management

(ii) Noise Pollution Management

(iii) Waste water Management

(iv) Waste Management

Resource Management at Construction Site

(i) Water Conservation Measures

(ii) Energy Conservation Measures

First-Class Warehouse Construction Quality

Quality Facilities & Operation Services

Green Operation & Management

(i) Air Pollution Management

(ii) Waste Management

(iii) Energy Management

(iv) Water Management

First-Class Warehouse Facilities Specifications

Professional Property Management Services

(i) Logistics Park Security & Safety

(ii) Caring Customer Services

(iii) Marketing & Advertising Management

PROJECT PLANNING AND DEVELOPMENT

Green Development and Construction

In the development of each logistics park project, we strictly follow the provisions laid down by the approved environmental impact assessment report and environmental impact assessment approval to minimize the impact on the ecological environment and reduce resources consumption. The Group has put in place the Project Development and Construction Management System, which divides the development and construction of logistics park projects into four key stages, namely (1) projects planning stage; (2) preliminary stage of projects; (3) projects construction stage; and (4) projects delivery stage. We clearly stated in the System the matters that each responsible department should pay attention to at each stage and their relevant responsibilities as well as relevant internal guidelines and processes, to ensure that each important area is assessed and approved, in order to minimize the impact of each stage on the surrounding environment and the society.

Project Environmental Impact Analysis

We are prudent on the issue of site selection, as logistics parks occupy relatively large spaces and the locations of logistics parks are crucial to the long-term development and positioning of the regions and business. The selection of favourable geographical location in the strategic target cities enables us to optimize our resources allocation and reduce the impact on environment and community. Our top priority in site selection is well-established transportation facilities, so that the impact on the environment and surrounding community by transportation can be reduced significantly. The Group engages qualified third parties at the preliminary preparation stage of projects to conduct site visits and assessments in strict compliance with relevant environmental regulations such as the Environmental Protection Law of the PRC and the Environment Impact Assessment Law of the PRC. The engaged party shall analyze the environmental pollutions and ecological damages that may cause during the development of projects, including impact on environment, air, geology, water quality, noisy environment, ecological environment and biodiversity, and assess the impact of the project construction on the environment. The above data shall be summarized into a report and be submitted to the local environmental authority for approval. We also actively introduce environmentally friendly and energy saving materials, for instance, heat-insulated autoclaved aerated concrete blocks and durable compressive-resistant grass-planting bricks are used in Changzhou Yupei Logistics Park.

Environmental Protection at Construction Site

To reduce the impact on surrounding environment and community during the construction process and strengthen the internal regulations and awareness, we intentionally incorporate the elements of the Three Simultaneities into the projects management system according to the Environmental Protection Law of the PRC, that is, pollution prevention and control measures are designed, constructed and operated simultaneously with the construction project. The Measures for the Environmental Protection at Construction Site is formulated to clearly state the procedures and awareness training measures that should be paid attention to during construction. At the time of signing contracts with all contractors, we expressly require that supervision shall be carried out pursuant to the relevant measures during construction to ensure the construction are in compliance with the laws and regulations. We also require our contractors to implement the improvement measures laid down in the Environmental Impact Assessment report. Regular inspections are carried out at the construction sites according to the requirements of the Regular Inspection Procedure for Project under Development under the Project Development and Construction Management System, to ensure the improvement measures specified in the Environmental Impact Assessment report are carried out by the contractors and the effectiveness of relevant measures is inspected.

In addition to the above regulatory measures, we ensure that our staff is fully aware of the principle of environmental protection adopted in daily operations through strengthening the education and. We post various posters in relation to relevant measures of mitigating air pollution, water pollution, noise pollution and land pollution at the construction sites to remind our staff. We also conduct safety and environmental protection education for construction workers, to require them not to damage the surrounding land and vegetation. Meanwhile, we provide trainings to our workers in respect of measures for protecting heritages, cultural relics and ancient trees in the construction areas, to ensure that they are aware of the treatment and procedures when they discover heritages with historical and cultural values during the construction period, thereby avoiding inadvertent damage to valuable natural resources or buildings with historical value.

All the exhaust gas and sewage produced during construction period must be treated before emission, to make sure the emissions meet the regulatory safety level. We inspect the emission reduction processing equipment periodically to ensure its pollution protection and control efficiency. We also properly record all environmental quality test results, such as dust, construction noise, waste disposal and so on, to monitor our environmental protection performance during the construction period. The performance in each aspect shall be compared with the environmental impact assessment report for developing more effective improvement measures in future.

Air Pollution Management

We require project contractors to strictly comply with the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Integrated Emission Standard of Air Pollutants and other relevant environmental laws, regulations and other provisions, to ensure that the Group's projects are carried out in compliance with the national air quality standards. In order to control the dust caused by construction, we adopt a series of measures to reduce air pollution and review them on a regular basis to ensure their effectiveness, which include:

- water sprinkling for dust suppression during excavation, burying and crushing works, covering, curing, greening, spraying water and hardening the main roads on the site to conform with the requirements of the supervisory limit for non-organized emission of less than 1.0 mg/m^3 of particulates as set out under the Integrated Emission Standard of Air Pollutants (GB16297-1996) for dust control; and

- earthwork backfilling, transpiration and other construction processes that may cause dust pollution are prohibited when windstorm level 4 or above is hoisted.

Noise Pollution Management

We strictly comply with the Emission Standard of Environment Noise for Boundary of Construction Site and the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise. The major sources of noise during construction in the parks come from construction machineries and vehicles, and the following specific mitigation measures are adopted:

- reasonably schedule construction timetable as well as reduce the duration of construction work during the night to minimize the impact on noise-sensitive areas such as schools and hospitals;

- adhere to the Notice on Strengthening the Supervision and Administration of Environmental Noise Pollution during National College Entrance Examination by forbidding the generation of excessive and disturbing noise from construction work within the period of 15 days before and during high school and college entrance examination;

- set up closed shelters for electric saws, planers, mixers, fixed concrete pumps, large air compressors and other noisy equipment on site, and place the equipment away from the residential area as far as possible, to comply with the Type 3 standard of Emission Standard for the Noise at the Boundaries of Industrial Enterprises (GB12348-2008) of less than 65 dB during daytime and less than 55dB during nighttime; and

- use machineries and equipment with noise emission meeting required standard, and utilize noise elimination devices during the operation of construction machineries and monitor noise level to ensure that it meets the national Environmental Quality Standard for Noise or other local noise emission standard.

Wastewater Management

Domestic sewage and construction waste water are the main source of wastewater during construction. We set up vehicles washing areas and sedimentation ponds at the construction sites. The treated wastewater from construction site is forbidden to discharge onto the ground surface directly. The sedimentation ponds are cleared periodically and sewage from washing wheels, pumps and pump tubing is treated in the secondary sedimentation ponds before discharging into the municipal pipe networks. The sewer system of the temporary canteens at construction sites is equipped with grease traps. We clear the waste in the grease traps on a regular basis and the canteen wastewater is discharged into the municipal pipe networks after the separation and sedimentation of grease. We install septic tanks in toilets to discharge wastes into the internal municipal pipe networks after sedimentation, and the septic tanks are cleaned regularly. The sewers are connected with ceramics and smeared with impervious cement paste to prevent sewage leakage and polluting underground water. Domestic sewage will go through on-site sewage treatment before being used for plant watering or road washing. The sewage and foul odor are processed in accordance with the standard stated in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant and the Reuse of Recycling Water for Urban-Water Quality Standard for Urban Miscellaneous Water Consumption. In the event that fuel or oily mold discharging agent is stored in the warehouse of a construction site, we expressly require that seepage prevention should be carried out in the relevant warehouse and corresponding leakage prevention measures should be adopted for the prevention of oil spills and soil and water pollution.

Waste Management

We strive to follow an environmental protection philosophy of reducing waste at source and separating waste for recycling. Our solid waste management is complied with the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes and its amendments. Solid waste generated during construction is mainly classified into three types, namely domestic garbage, construction waste and earthwork. We provide classified recycling containers at construction sites to encourage our staff to collect recyclable construction materials, such as construction papers, scrap steel materials, etc., which are then collected by qualified recyclers. Excess earthworks and construction materials are used for backfilling. Wastes that cannot be recycled or reused are collected by environmental protection authority for proper central treatment to prevent secondary pollution to the neighborhood.

Resources Management at Construction Site

We actively explore potential measures to maximize the power and water consumption efficiency at construction sites, so as to reduce waste of energy or resources.

Water-saving measures

Water-saving measures implemented at construction sites include:

- Install water meter in office, living and construction areas to monitor the use of water in each area;
- Use water saving valves at construction sites;
- Assign personnel responsible for regular inspection of water leakage for each of office, living and construction areas; and
- Utilize precipitation from foundation pit for dust reduction, vehicle washing, toilet flushing, concrete curing in structural construction and construction water in secondary renovation.

Energy-saving measures

We also take various energy-saving measures to reduce waste of resources, which include:

- Install electricity meters at project sites and sub-meters in construction and living areas, and assign specialists to conduct routine meter reading and monitor the consumption level of projects regularly to ensure normal energy consumption;
- In selecting mechanic and electrical engineering systems for logistics parks, we prefer energy efficient construction machinery and energy saving systems;
- Use energy efficient lighting and local lighting and/or air conditioning control; and
- Require our staff to switch off idle construction machinery, lighting and air conditioning.

During the Reporting Period, we were not aware of any significant damage to ecological environment caused by construction activities nor any violation of relevant environmental laws, regulations and other provisions.

First-Class Warehouse Construction Quality

The Group has established the Project Development and Construction Management System to ensure the construction quality of the logistics park projects and requires contractors to strictly follow the construction drawings and plans. The system clearly states construction plans, construction drawings and the approval processes required for various technical solutions, to ensure that the processes and corresponding responsibilities are clearly communicated to each relevant unit. We also assign quality inspectors to station at construction sites to conduct regular inspection on all areas of construction work, to ensure the quality of finished construction work. In addition, our quality inspectors, project managers and construction engineers submit inspection reports on a regular basis, and the construction management and engineering department of the Group carries out spot checks on the construction work of the logistics park projects.

Health and Safety of Construction Workers

Construction safety is our top priority. In the preliminary planning stage of project, we apply to the safety supervision department for the registration of construction safety supervision. During the construction period, the Group requires our main contractors and subcontractors to comply with the Construction Site Safety Management Policy, Safety Inspection Policy, Safety Technical Annotation Policy, Pre-Shift Safety Activities Policy, Safety Duties Policy, Implementation Rules on Safety Rewards and Punishment Policy, Construction Electricity Management Responsibility Policy, Policy on Use of Electricity and Fire Prevention in Construction, Technical Annotation on Use of Electricity and Safety in Construction, Policy on Inspection and Maintenance on the Use of Electricity in Construction, Annotation on Standard Safety Technology of Installation and Removal Works, Standard Requirements on the Stack of Materials during Construction, Protection Measure for the Use of Construction Machinery and Construction Machinery Inspection and Maintenance Policy. We also adhere to the principle of safety construction by assigning supervisors to inspect various aspects of the construction work.

The Group prepared the Contract of Construction based on the principle of ensuring the safety and health of on-site construction workers. The Contract of Construction stipulates that the construction contractors should arrange hours of work and rest for the construction workers to safeguard their rights to rest. We have safety protection to workers and adopt effective precautionary measures to prevent dust, control harmful gases and ensure workers' safety under extreme temperatures and when working in height according to national regulations on labour protection. The Group requires contractor to provide necessary accommodations and living environment for the workers employed in the performance of the contract. They are required to take effective measures to prevent infection of diseases and to ensure the health of the construction workers. Meanwhile, regular epidemic prevention, professional health and hygiene inspection and respective measures should be carried out at the construction sites, workers' living area and project sites, to ensure the quality of environmental hygiene of employees.

Upon the completion of projects, our Inter-Department Review Committee conducts analysis and evaluation on the construction progress, quality and cost of contractors, and gives them a rating. Based on the follow-up evaluation, we advise contractors who fail to meet our expectation to make improvement, and disqualify contractors who are unable to make improvement from participating in future tenders, to enhance the quality of our qualified contractors.

QUALITY FACILITIES AND SERVICES

We firmly believe that the key to meeting the expectation of our tenants is quality control. Therefore, we persist in utilizing the highest quality of hardware and software to provide our tenants well-equipped logistic parks with premium services. The Group's commitment in this area enables us to obtain the ISO9001:2008 Quality Management System Certification.

Green Operation and Management

Premium property management not only plays a decisive role in building a good corporate image and operational satisfaction, but is also an important aspect of reducing emissions and wastage. For the purpose of regulating our management and operation of logistics parks, we have prepared the Property Management System and the Operation Manual of Logistics Park Management, aiming to further enhance our service standards. The system classifies the development strategy of the Group into preliminary intervention stage and long-term stage of property management services, and determines the workflow, scope of services, and relevant standards and objectives based on the needs at each stage. The manual states the operation matters that call for attention when operating the facilities, and formulates various regulations to standardize operation based on different scope of services, to ensure the quality of services. Various green operation and management methods are set out in the manual, which includes:

Exhaust Gas Emission Management

The major sources of exhaust gases in logistics parks include generators and gas-fired boilers. We also encourage staff to take more public transport to minimize exhaust gas emission generated by driving.

Case Sharing — The 2nd Tree Planting Day of "Making the World a More Beautiful Place by Protecting the Environment Together"

Greenery not only makes the logistics parks fresher and more comfortable, but is also a blessing to the environment and the logistics parks. In March 2018, the senior management of the Company led our staff to plant Osmanthus trees that symbolize goodness in the Suzhou Logistics Park, making a contribution to create an environmentally friendly logistics park!

Waste Management

The non-hazardous wastes of the logistics parks are mainly the household refuse generated from our daily operation, office paper and disposed packaging materials of our tenants, which are removed by professional removal companies engaged by the Company every day. Our customers are responsible for the industrial waste of their own and other related parties in accordance with the laws and regulations. To reduce the amount of waste generated in our daily operation and conserve resources, we encourage our staff to reduce the use of paper and use double-sided printing wherever possible. We also place recycling bins in our offices and provide clear guidelines to encourage recycling of waste paper. In addition, we provide guidelines for reduction of waste generation to tenants regularly and to remind and encourage them to fully utilize the waste separation and recycling facilities in the logistics parks.

Energy Management

The Group has formulated different energy saving and emission reduction measures under the principle of reducing consumption, high efficiency and low emission. In addition to providing staff training and posting environmental protection reminders in offices, our logistics parks gradually introduce and utilize renewable energy. During the Reporting Period, 43% of the total electricity consumed in Jiaxing and Wuhu Logistics Parks was solar energy. We plan to introduce renewable energy in more logistics parks.

Water Management

We provide proper staff training and make use of water-saving reminders in offices to change the habitual behavior of our staff and enhance their awareness of water conservation. At the same time, we adopt user/polluter-pays principle in logistics parks where tenants need to pay according to the water consumption of their sub-meters to encourage water conservation. We also implement drip irrigation for plant watering to reduce water consumption. Our water is purchased from water companies and we have no issue in sourcing water that is fit for the purpose during the Reporting Period.

Environmental KPI Summary

Description	Unit	Value for 2018	Value for 2017
Greenhouse Gas Emission			
Total GHG emission	tCO_2e	**2858.23**	2597.49
Direct (Scope 1)	tCO_2e	**182.85**	861.08
Indirect (Scope 2)	tCO_2e	**2773.66**	1736.42
Emission reduction (Scope 1)	tCO_2e	**98.28**	616.86
Total GHG emission intensity (Scope 1 & 2)	tCO_2e	**0.014**	0.00064
Air Emissions			
Nitrogen oxides (NO_x)	kg	**159.65**	18.40
Sulphur oxides (SO_x)	kg	**29.15**	0.32
Respirable suspended particles (PM)	kg	**6.31**	4.33
Waste			
Total non-hazardous waste	tonnes	**3974.78**	2577.16
Non-hazardous waste intensity produced per sq.m.	tonnes	**0.019**	0.00083

<table>
<tr><th>Description</th><th>Unit</th><th>Value for 2018</th><th>Value for 2017</th></tr>
<tr><td colspan="4">**Energy**</td></tr>
<tr><td>Total energy consumption</td><td>MWh</td><td>**5,071.45**</td><td>7,236.81</td></tr>
<tr><td>Purchased Electricity</td><td>MWh</td><td>**4052.34**</td><td rowspan="2">2938.25</td></tr>
<tr><td>Solar Energy Purchased</td><td>MWh</td><td>**149.38**</td></tr>
<tr><td>Diesel</td><td>MWh</td><td>**11.64**</td><td>326.63</td></tr>
<tr><td>Petrol</td><td>MWh</td><td>**83.88**</td><td>321.96</td></tr>
<tr><td>Natural gas</td><td>MWh</td><td>**774.22**</td><td>3,898.29</td></tr>
<tr><td>Total energy consumption per sq.m.</td><td>MWh</td><td>**0.024**</td><td>0.0023</td></tr>
<tr><td colspan="4">**Water**</td></tr>
<tr><td>Total water consumption</td><td>m^3</td><td>**46,389.50**</td><td>56,635.32</td></tr>
<tr><td>Water consumption per sq.m.</td><td>m^3</td><td>**0.224**</td><td>0.0182</td></tr>
</table>

* During the Reporting Period, the Calculation Methodology of Environmental Key Performance Indicators (KPI) is updated. The data disclosed covers the tenants' area, public area and equipment, maintenance and property management equipment. The KPI is calculated based on the constructed area of the logistic parks excluding the leased area while per square meter is used for calculating KPI involving intensity to reflect the actual performance of the Group's operation.

** The data covers our (i) Shanghai Office, (ii) Beijing Office, (iii) Hong Kong Office; and (iv) the 28 logistics parks with operational control and in operation.

*** Our business does not involve packaging materials and hazardous waste. The relevant disclosures are not applicable.

Supplier Management

During the Reporting Period, major products and services provided by suppliers of the Group included (i) contracted construction service, (ii) materials for daily maintenance of the parks, and (iii) administrative supplies. We recognize that our suppliers are a significant element to achieve our goal of becoming the largest supplier of quality logistics facilities in China. It is necessary for us to share the values of sustainable development with our suppliers, in order to stay focused on our objectives, capitalize on the synergy with the supply chain, and create green economic value for the supply chain and customers.

The ethics and performance of suppliers affect the quality of our services and products, and may impact the reputation of our Group. We are committed to adopt the environmental and social practices and expects our business partners to uphold the same philosophy in terms of integrity, fair treatment to employees, environmental protection and compliance with all applicable laws and regulations. While selecting appropriate suppliers, we will understand their qualifications and reputation. We will also clearly explain and state our environmental and social requirements in negotiating contracts with them. Meanwhile, we have formulated the Supplier Code of Conduct to clearly communicate to the suppliers our basic requirements for business partners on aspects of environmental protection, occupational health and safety, ethics, laws and regulations. We require our suppliers to sign off on the Supplier Code of Conduct to make sure that they understand and accept to adhere to the requirements of the Code.

First-Class Warehouse Facilities Specifications

Our logistics parks are conveniently located near well-established transportation network including highways, railways, ports and airports, which enhance the operation efficiency of our customers. Our extensive nationwide logistics network allows our tenants to reproduce and expand their business across the country with ease. Our warehouses are designed in accordance with first-class warehouse specifications, which comply with the first-class level of design in terms of loading and carrying capacity, floor area, structure, fire prevention and safety measures.

Professional Property Management Services

Logistics Park Security and Safety

Safeguarding customers' assets is one of the most important missions of the Group. We understand our operations involve various risks by conducting risks assessment and communicating with each stakeholder. Therefore, we have formulated various policies and adopted relevant measures to reduce the potential impact on the safety factors of our customers. To guarantee the security of logistics parks and speed up the response to contingencies, all logistics parks are equipped with surveillance systems and are monitored by security guards and monitors around the clock. The image of system can only be acquired and viewed by designated person and will be deleted after being kept for a certain number of days, in order to ensure that customers' privacy is protected.

We have formulated the Safety and Security Regulations to adopt safety measures on a 24-7 basis, such as security patrol, entrance-exit registration and fire monitoring system, after the commencement of our logistics parks. It is also prohibited to use fire or to bring dangerous goods including inflammable, explosive and highly toxic materials into the logistics parks. According to the Administrative Measures for Fire Safety formulated by the Group, all logistic parks are equipped with fire extinguishers and protective clothing as an additional safety measure. We require our tenants (i.e. lessees) not to release toxic gases or generate noise and vibration above prescribed levels wherever possible to ensure environmental safety in the logistics parks.

Pursuant to the Fire Services Law of the PRC, the Production Safety Law of the PRC and other appropriate national laws and regulations, the Group formulates a series of emergency plans to enhance employee's ability to cope with emergencies and protect life and property in the parks, and conducts regular drills. The emergency plans include Security Contingency Plan, Dangerous Goods Leakage Contingency Plan, Fire Contingency Plan, Traffic Accident Contingency Plan, Public Health Emergencies Contingency Plan and so on.

Caring Customer Services

The approach of providing excellent services to customers is what we have persistently taken. We maintain the highest standard of safety, security and environment requirements. We also communicate and work closely with existing and potential tenants, value their appraisals and suggestions, and constantly enhance the quality of our services. We ensure customers' instinct needs are satisfied by providing tailor-made integrated value-added solutions to them. During the Reporting Period, each logistics park actively makes improvement by increasing the greening area and creating a garden-like logistics park, aiming at providing a more comfortable working environment for our customers and improving the quality of our property services in all aspects. We also set up special inspection teams for the parks, to detect and improve the environmental and management defects on a timely basis.

Confidential Requirement

The Group keeps the confidentiality of the internal information relating to customers and the Group, such as customer information, documents of the parks, company internal information, personal data of property management employees and etc., by way of encryption. The relevant personnel shall complete necessary internal approval procedures of the Company before acquiring, using or forwarding relevant confidential information to ensure data security. All employees are required to sign a confidentiality agreement upon commencement of their employment to prevent any unauthorized disclosure of confidential company information or other undisclosed business operation information, property information and so on to third parties in any way.

Case Sharing – Outstanding E-commerce Logistic Service Provider

As a leading logistic infrastructure and service provider, the Group is honored to receive “2018 China E-Commerce Logistic Outstanding Service Provider” award for the nation-wide coverage and top-of-class service and facility. The Group is determined to continue improving our service by working closely with the industry to complement the industry’s growth.

Marketing and Advertising Management

Integrity has been an underpinning philosophy of the Group. Therefore, we strictly comply with national laws, regulations and other relevant provisions in the production and installation of advertising materials. The content of advertisement shall conform with the Advertising Law of the PRC to avoid publishing false information, and present our service content, quality, price and pledges in an accurate, clear and genuine manner. For advertisement design, we also fully adhere to the Copyright Law of PRC to prevent infringement of others’ intellectual property rights. Regarding publication of advertisement, we fully obey the Regulations on the Administration of City Appearance and Sanitation to get the necessary approval for the advertisement in accordance with law.

CORPORATE GOVERNANCE

Operation with Integrity, Probity and Anti-corruption

The Group strictly complies with the laws and regulations relating to anti-corruption, business ethics and anti-money laundering, such as the Criminal Law of the PRC and the Anti-Unfair Competition Law of the PRC. We endeavour to build a corporate culture of integrity, and are committed to eliminating malpractice and fraud. Moreover, we have prepared the Code of Conduct to outline our requirements on employees' code of conduct and moral integrity, accentuating our total intolerance to bribery, corruption, extortion, fraud, money laundering and other unethical behaviours. Employees are required to sign the Code of Conduct upon entries, to undertake that they abide by all relevant laws and regulations as well as the Company's policy, and are obliged to comply with disciplinary requirements. The Group also clearly conveys our requirements on moral integrity and discipline to suppliers and business partners. Our Staff Handbook clearly states that our probity requirements of forbidding any kind of commercial bribery, corruption and misappropriation of company assets. Employees are required to receive training on the Code of Conduct upon entries, and confirm the regulation of their behaviours by signing the Code of Conduct, binding them to comply with the law and bear social responsibility.

The Code of Conduct combat corruption in the following 7 Ways,

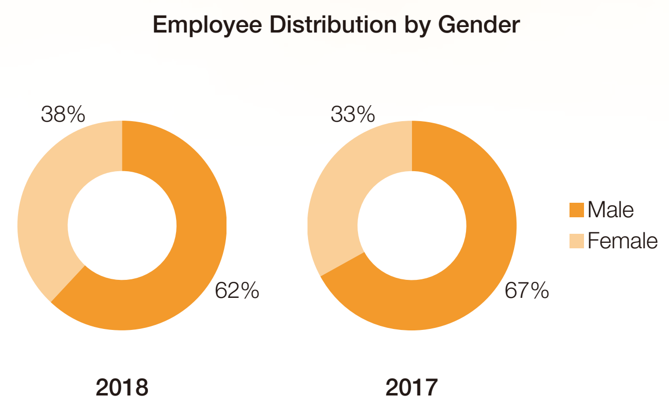
- Abuse of power and actions to damage the Group's property and interests are forbidden
- Interests of the Group shall be consciously safeguarded
- Relevant financial disciplines shall be followed
- Business bribery shall be consciously resisted
- Tendering rules shall be strictly enforced
- Contract management system shall be stringently implemented
- Actions from connected parties that may harm the interests of the Group shall be actively avoided

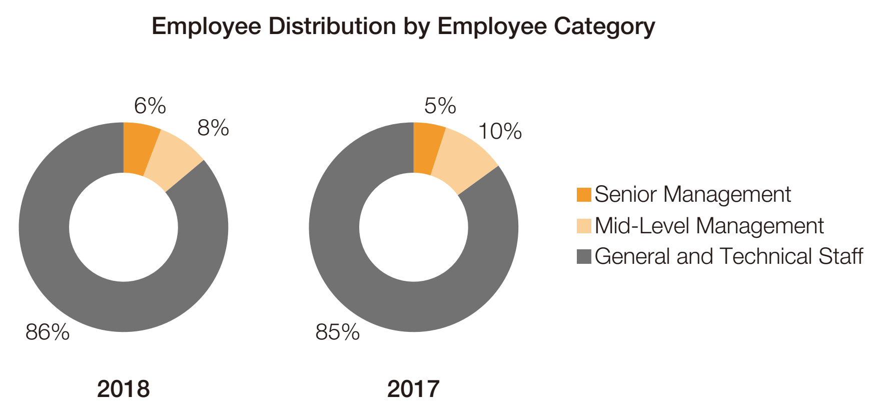
The Group has set up complaint and whistle blowing channels to accept any reports related with irregularities with the purpose of creating an open, fair and impartial enterprise atmosphere. The whistle-blowers and reporting content will be treated confidentially to protect the legitimate rights and interests of the whistle-blowers.

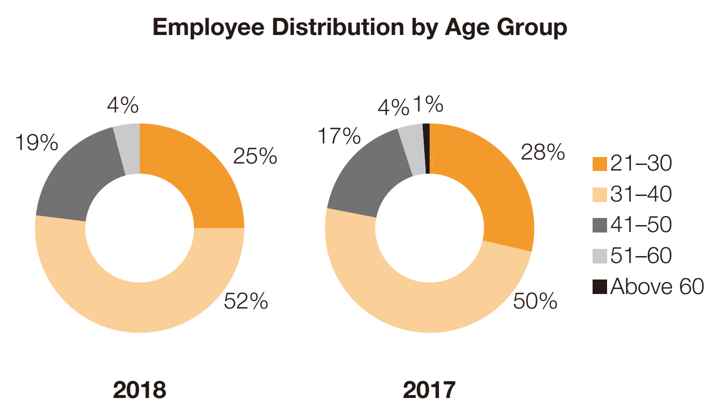
OUR TALENTS

Talent Recruitment

The Group recruits talents on the basis of open recruitment, equal competition, merit-based and internal first then external, and strives to provide a working environment where our employees can develop their talents and career paths. As an equal opportunity employer, we have always adhered to the concept of fair, open and diversified employment. Only candidates' abilities, experiences and qualifications will be considered during the recruitment process, regardless of their age, gender, race, colour, sexual orientation, religion, nationality, disability or marital status to ensure that they are treated fairly. As at 31 December 2018, the Group employed a total of 168 staff.







Salary and Benefit

Our staff is the most valuable asset of the Group, and is the key for us to make steady development. Therefore, we endeavor to provide all our staff with comprehensive benefits and protections, and review and update our policies of salary and benefit regularly. We strictly adhere to the Labor Law of the PRC (the "Labor Law") and the Labor Contract Law of the PRC to provide our staff with five insurances and one housing fund, including pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance and housing provident fund. All of the employees are treated equally in each procedure of recruitment, job adjustment and promotion. We adopt the same performance assessment criteria to all employees to ascertain that employees receive equal opportunity for promotion and development. Employees' remuneration packages comprise basic salaries and performance bonus. The income structure of certain staff in special positions is adjusted according to actual circumstances. Our employees are offered a series of bonuses which relate directly to the Company's benefits, results of the business units or departments in which they operate and individual employee's performance appraisal result, to encourage their contribution in all aspects. Other benefits include bereavement leave, marital leave, maternity leave, antenatal checkup leave, compensatory time off and short working hours for lactation period, etc. Details are listed in the Staff Handbook to ensure the openness and transparency of relevant policies.

The Group attaches importance to the exchange and interaction between us and the employees. They can keep abreast of the Group's development via WeChat platforms to enhance their sense of belongings. To encourage our staff to maintain work-life-balance, the Group organized travelling trips more than once a year to foster communication. Ball games are also regularly organized to enhance general health and friendships of our employees. Gifts are distributed during festivals such as Dragon Boat Festival and Mid-autumn Festival. During the Reporting Period, the Group organizes interim and annual meetings to summarize work progress. To reward outstanding staff, Outstanding Staff Awards, Special Contribution Award, The Best Team Award and other awards are presented.

A snapshot of staff activity

We hold a birthday party every month to send our blessing to the employees. The birthday party in December is a grand gala event to celebrate the coming of the New Year!

Celebrating Christmas and New Year with the 1st Winter Fun Games of "Fostering Solidarity"

We held the 1st Winter Games at our Shanghai headquarters in December, to promote the philosophy of "Giving Hope and Strength with Cohesion and Collaboration", enhance our execution capability and achieve a healthy, coordinated and sustainable development of our businesses. The games were concluded successfully with laughter. For the coming year, we will continue to organize more exciting and diversified activities for employees, to further promote the overall development of the Company.

Labour Standards

We have zero tolerance to workplace harassment and discrimination. We have put in place a complaint system to safeguard our staff, so that they can complain and seek for help immediately after noticing harassment and discrimination. During the Reporting Period, we did not find any case of harassment and discrimination in workplace.

We have a well-defined employment standard, and object to hire child labour and forced labour in compliance with the Labour Law. The Group recognizes the significance of work-life-balance of our staff. We do not encourage our staff to work overtime. We have clearly stipulated that all overtime work requires prior approval, and employees who work overtime should be offered compensation leave equivalent to the number of overtime days, to ensure they have sufficient rest time. During the Reporting Period, there is no reported case of child labour or forced labour.

Health and Safety

The health and safety of the employees is our top priority. To safeguard their physical and mental health, we are committed to providing our staff a safe and comfortable working environment. The Group provides annual body check to our staff to ensure that they have sound physical condition. Cleaning and inspection are conducted every 2-3 hours in office areas for the sake of the hygiene and comfortableness. Moreover, we conduct annual training on fire prevention and safety to enhance their knowledge of fire prevention by analyzing fire cases studies, explaining fire-fighting methods and the use of emergency tools.

Training and Development

We believe that continuous learning is the key for the Group and our staff to make continuous progress, so as to achieve the vision of "becoming an outstanding supplier and service provider of integrated solutions of logistics supply chain". Our trainings included:

Orientation training for new comers	New employees are required to have induction training to understand the corporate culture, development milestones, organizational structure and basic rules of the Company. Meanwhile, employees are also required to receive trainings on integrity to establish a positive view and exercise discipline. New employees who have completed trainings must pass the examination of induction training for new staff, and their relevant results will be the reference for their probation to formal hire.
On-the-job training	In order to fulfil job responsibilities and satisfy the requirements of completing key projects, all departments will arrange their staff to receive trainings on key positions and professional skill certification if required to enhance our competitiveness.
Training on talent development	We will provide corresponding trainings for various positions on a regular basis for the promotion of staff to meet the requirements of the positions.

Meanwhile, the Group has established a series of channels to facilitate the internal communication for further interaction, so that the Group and our staff can grow together with added value:

Formal Channel Case Sharing — "Cohering Yupei" Corporate Culture Upgrading and Commencement Meeting

The leaders and representatives of employees of the Group participated in the Corporate Culture Upgrading and Commencement Meeting with the theme of "Cohering Yupei". During the meeting, Mr. Li Shifa, Chairman and President of the Company, provided detailed analysis on how to optimize corporate culture and all staff who attended the meeting were benefited.

Informal Channels Case Sharing — Development activities in Jiaxing

In the Reporting Period, the Group organized a 1-day development activity in the Jiaxing Yunlanwan Resort to enrich their spare time life and enhance team cohesion. Each group worked towards a goal under the leadership of a group leader following the instructions of task cards. To promote the cohesion within and across teams, we have to consolidate our strength and focus on achieving a common goal through commitment and collective efforts.

COMMUNITY CONTRIBUTION

As a responsible corporate citizen, the Group has been adhering to the mission of "Serving the Public and Contributing to the Society". We believe that the growth of the community held in tandem with our development. Therefore, we keenly fulfil social responsibility on top of steady development of our business.

Case Sharing — The Firefly Paradise Official Completion

Following the establishment of Songling Unity Primary School, Suzhou City, in 2017, the Firefly Paradise in Mahu Primary School, Feidong County, Hefei City, Anhui Province was officially completed with the donation of the Group, the Shanghai Soong Ching Ling Foundation and The Bank of East Asia Charitable Foundation. It is the 78th and 4th Firefly Paradise across the country and in Anhui Province, respectively. In addition to providing desks and chairs, computers, networks, projectors and other multi-media equipment for teachers and students to facilitate the launch of large-scale open classes, demonstration teaching program, trainings on professional expertise for teachers and other programmes, the Group also donated a lot of bookshelves and over 1,000 books to help the schools create the software and hardware educational environment.

INDUSTRY PARTICIPATION

We participate in various industry exhibitions every year to exchange with other industry peers.

Case Sharing — Unveiling at the 2018 Asian Logistics Biennial

The Asian Logistics Biennial with the theme of "Logistics Changing Life" officially kicked off in Pudong of Shanghai. The hologram technology and naked eyes 3D experience, fully demonstrating the high-quality and high-standard logistics parks of CNLP, attracted the eyeballs of many local and overseas visitors.

Case Sharing — Fully supporting the first China International Import Expo ("CIIE")

The first China International Import Expo was held in Shanghai from 5 to 10 November 2018. As one of the representatives of the logistics industry in China, we actively cooperated with the "Minhang Pioneer Volunteer Team of CIIE" from the Hongqiao Party Building Service Station by sending a team of volunteers to join the service team which provided accurate and high-speed services for the participants and guests based on our corporate values.

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Area	Chapter/Explanation
A. Environmental	
Aspect A1: Emissions	
A1-General Disclosure	High-Quality Logistics Park with Sustainable Development
A-1.1	Exhaust Gas Emission Management
A-1.2	Exhaust Gas Emission Management
A-1.3	N/A
A-1.4	Waste Management
A-1.5	Exhaust Gas Emission Management
A-1.6	Waste Management
Aspect A2: Use of Resources	
A2-General Disclosure	High-Quality Logistics Park with Sustainable Development
A-2.1	Energy-saving Management
A-2.2	Water-saving Management
A-2.3	Energy-saving Management
A-2.4	Water-saving Management
A-2.5	N/A
Aspect A3: The Environmental and Natural Resources	
A3-General Disclosure	High-Quality Logistics Park with Sustainable Development
A-3.1	High-Quality Logistics Park with Sustainable Development
B. Social	
Aspect B1: Employment	
B1-General Disclosure	Our Talents
B-1.1	Talent Recruitment
B-1.2	Not disclosed for this Reporting Period
Aspect B2: Health and Safety	
B2-General Disclosure	Health and Safety
B-2.1	Not disclosed for this Reporting Period
B-2.2	Not disclosed for this Reporting Period
B-3	Logistics Park Security and Safety

Area	Chapter/Explanation
Aspect B3: Development and Training	
B3-General Disclosure	Training and Development
B-3.1	Not disclosed for this Reporting Period
B-3.2	Not disclosed for this Reporting Period
Aspect B4: Labour Standards	
B4-General Disclosure	Labour Standards
B-4.1	Not disclosed for this Reporting Period
B-4.2	Not disclosed for this Reporting Period
Aspect B5: Supply Chain Management	
B5-General Disclosure	Supplier Management
B-5.1	Not disclosed for this Reporting Period
B-5.2	Supplier Management
Aspect B6: Product Responsibility	
B6-General Disclosure	Professional Property Management Service
B-6.1	Not disclosed for this Reporting Period
B-6.2	Not disclosed for this Reporting Period
B-6.3	Not disclosed for this Reporting Period
B-6.4	Professional Property Management Service
B-6.5	Confidential Requirement
Aspect B7: Anti-corruption	
B7-General Disclosure	Operation with Integrity, Probity and Anti-Corruption
B-7.1	Operation with Integrity, Probity and Anti-Corruption
B-7.2	Operation with Integrity, Probity and Anti-Corruption
Aspect B8: Community Investment	
B8-General Disclosure	Community Contribution
B-8.1	Community Contribution
B-8.2	Not disclosed for this Reporting Period

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 111 to 236, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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. The Group's investment properties were carried at fair value at RMB17,039.00 million as at 31 December 2018 and a related net fair value gain of RMB948.24 million was accounted for under "Fair value gains on investment properties — net" in the Group's consolidated statement of comprehensive income. The Group has engaged an external valuer to assess the fair values of the investment properties. The appraised value is determined by using the applicable valuation methods which involve key estimates and assumptions, 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 vacant land or under construction as of the reporting date, the developer's profit margin, expected completion dates and the costs to complete the construction. We focused on this area as the fair values and the net fair value gains of the investment properties are significant to the financial statements and the valuation of the investment properties was highly dependent on significant judgement on key estimates and assumptions involved in the valuations.	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 comparing 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, on a sampling basis, to the relevant supporting documents; (4) we assessed the key assumptions used in the valuation models, with 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; and also comparing 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 consolidated financial statements were supported by the 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, 28 March 2019

Consolidated Balance Sheet

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**128,232**	132,661
Investment properties	7	**17,039,000**	14,792,000
Intangible assets		**653**	79
Investment accounted for using the equity method	8	**550,556**	446,229
Financial assets at fair value through profit or loss ("FVPL")	12	**58,337**	—
Available-for-sale financial assets	12	**—**	55,541
Long-term trade receivables	10(a)	**13,933**	15,146
Other long-term prepayments	10(b)	**354,955**	506,982
Restricted cash	13	**312,000**	102,802
		18,457,666	16,051,440
Current assets			
Trade and other receivables	11(a)	**74,485**	80,085
Prepayments	11(b)	**188,196**	118,470
Financial assets at FVPL	12	**289,176**	—
Available-for-sale financial assets	12	**—**	269,937
Cash and cash equivalents	13	**2,000,429**	1,820,537
Restricted cash	13	**91,874**	1,303
		2,644,160	2,290,332
Assets classified as held for sale	22	**482,839**	—
		3,126,999	2,290,332
Total assets		**21,584,665**	18,341,772

Consolidated Balance Sheet

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium	14	**6,460,307**	5,724,612
Other reserves	16	**174,774**	164,578
Retained earnings	15	**3,980,187**	3,436,564
		10,615,268	9,325,754
Non-controlling interests		**798,621**	—
Total equity		**11,413,889**	9,325,754
LIABILITIES			
Non-current liabilities			
Borrowings	18	**5,673,455**	5,559,507
Long-term payables	20	**89,029**	54,064
Deferred income tax liabilities	9	**1,759,911**	1,521,506
		7,522,395	7,135,077
Current liabilities			
Trade and other payables	21	**385,630**	626,822
Current income tax liabilities		**22,395**	49,961
Borrowings	18	**1,993,944**	1,204,158
		2,401,969	1,880,941
Liabilities directly associated with assets classified as held for sale	22	**246,412**	—
		2,648,381	1,880,941
Total liabilities		**10,170,776**	9,016,018
Total equity and liabilities		**21,584,665**	18,341,772

The notes on pages 119 to 236 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 111 to 236 were approved by the board of directors on 28 March 2019 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 2018 RMB'000	2017 RMB'000
Revenue	23	**582,280**	403,900
Cost of sales	26	**(148,353)**	(128,248)
Gross profit		**433,927**	275,652
Selling and marketing expenses	26	**(31,304)**	(26,838)
Administrative expenses	26	**(102,108)**	(88,168)
Net impairment losses on financial assets	3.1(b)	**(5,516)**	—
Other income	24	**12,379**	57,800
Fair value gains on investment properties — net	7	**948,244**	865,330
Other gains — net	25	**11,955**	108,606
Operating profit		**1,267,577**	1,192,382
Finance income	28	**15,963**	96,561
Finance expenses	28	**(540,336)**	(323,266)
Finance expenses — net	28	**(524,373)**	(226,705)
Share of profit of investment accounted for using the equity method	8	**104,327**	261,262
Profit before income tax		**847,531**	1,226,939
Income tax expense	29	**(293,979)**	(341,139)
Profit for the year		**553,552**	885,800
Profit for the year attributable to:			
Owners of the Company	15	**557,231**	885,800
Non-controlling interests		**(3,679)**	—
		553,552	885,800

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in value of financial assets at fair value through other comprehensive income ("FVOCI")	16	**—**	(13,526)
Gains transferred to the consolidated statement of comprehensive income	16	**—**	(439)
Currency translation differences	16	**—**	531
		—	(13,434)
Other comprehensive income for the year, net of tax		**—**	(13,434)
Total comprehensive income for the year		**553,552**	872,366
Total comprehensive income for the year attributable to:			
Owners of the Company		**557,231**	872,366
Non-controlling interests		**(3,679)**	—
		553,552	872,366
Earnings per share for profit attributable to owners of the Company (expressed in RMB)			
— Basic	30	**0.1781**	0.3024
— Diluted	30	**0.1779**	0.3019
Dividends	31	**—**	—

The notes on pages 119 to 236 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 (Note 14)	Treasury shares RMB'000	Other reserves RMB'000 (Note 16)	Retained earnings RMB'000 (Note 15)	Total RMB'000	Non controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	5,760,728	—	166,842	2,551,522	8,479,092	—	8,479,092
Comprehensive income							
Profit for the year	—	—	—	885,800	885,800	—	885,800
Other comprehensive income							
Change in value of available-for-sale financial assets (Notes 12, 16)	—	—	(13,526)	—	(13,526)	—	(13,526)
Gains transferred to the consolidated statement of comprehensive income (Notes 16, 25)	—	—	(439)	—	(439)	—	(439)
Currency translation differences	—	—	531	—	531	—	531
	—	—	(13,434)	—	(13,434)	—	(13,434)
Total comprehensive income	—	—	(13,434)	885,800	872,366	—	872,366
Transactions with equity owners in their capacity as equity owners							
Repurchase of shares (Note 14)	—	(36,116)	—	—	(36,116)	—	(36,116)
Cancellation of shares (Note 14)	(36,116)	36,116	—	—	—	—	—
Employees share option scheme							
— Value of employee services (Notes 14, 17)	—	—	10,412	—	10,412	—	10,412
Profit appropriation to statutory reserves	—	—	758	(758)	—	—	—
Total transactions with equity owners in their capacity as equity owners	(36,116)	—	11,170	(758)	(25,704)	—	(25,704)
Balance at 31 December 2017	5,724,612	—	164,578	3,436,564	9,325,754	—	9,325,754

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company						
	Share capital and premium RMB'000 (Note 14)	Treasury shares RMB'000	Other reserves RMB'000 (Note 16)	Retained earnings RMB'000 (Note 15)	Total RMB'000	Non controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017	5,724,612	—	164,578	3,436,564	9,325,754	—	9,325,754
Change in accounting policy — IFRS 9 (Note 2)	—	—	10,493	(10,839)	(346)	—	(346)
Balance at 1 January 2018 (Restated)	**5,724,612**	**—**	**175,071**	**3,425,725**	**9,325,408**	**—**	**9,325,408**
Comprehensive income							
Profit/(loss) for the year	**—**	**—**	**—**	**557,231**	**557,231**	**(3,679)**	**553,552**
Other Comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total Comprehensive income	**—**	**—**	**—**	**557,231**	**557,231**	**(3,679)**	**553,552**
Transactions with equity owners in their capacity as equity owners							
Issue of shares (Note 14)	**727,510**	**—**	**—**	**—**	**727,510**	**—**	**727,510**
Employees share option scheme							
— Value of employee services (Notes 16, 17)	**—**	**—**	**1,692**	**—**	**1,692**	**—**	**1,692**
— Exercise of share options (Notes 14, 16, 17)	**8,185**	**—**	**(4,758)**	**—**	**3,427**	**—**	**3,427**
Profit appropriation to statutory reserves	**—**	**—**	**2,769**	**(2,769)**	**—**	**—**	**—**
Capital contribution from non-controlling interests (Note 33)	**—**	**—**	**—**	**—**	**—**	**802,300**	**802,300**
Total transactions with equity owners in their capacity as equity owners	**735,695**	**—**	**(297)**	**(2,769)**	**732,629**	**802,300**	**1,534,929**
Balance at 31 December 2018	**6,460,307**	**—**	**174,774**	**3,980,187**	**10,615,268**	**798,621**	**11,413,889**

The notes on pages 119 to 236 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**292,697**	219,490
Interest received		**14,562**	7,920
Income tax paid		**(46,240)**	(18,184)
Net cash generated from operating activities		**261,019**	209,226
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(23,898)**	(113,571)
Additions of investment properties		**(1,730,722)**	(2,053,478)
Additions of intangible assets		**(790)**	—
Proceeds from disposal of property, plant and equipment		**2,846**	286
Proceeds from disposal of subsidiaries	25	**—**	886,206
Purchases of available-for-sale financial assets	12	**—**	(335,971)
Proceeds from disposal of available-for-sale financial assets	12	**—**	73,086
Proceeds from disposal of derivative financial instruments		**—**	566
Receipt of asset related government grants	19	**9,248**	56,056
Net cash used in investing activities		**(1,743,316)**	(1,486,820)
Cash flows from financing activities			
Increase in restricted cash	13	**(299,769)**	(94,550)
Proceeds from exercise of share options		**3,427**	—
Proceeds from issuance of ordinary shares	14	**727,510**	—
Proceeds from capital contribution from non-controlling interests		**802,300**	—
Payment of underwriting commission fees and other listing expenses		**—**	(4,485)
Payment of commission fees and other expenses related to issuance of senior notes	32(b)	**(41,090)**	(33,288)
Proceeds from borrowings	32(b)	**2,853,083**	3,070,713
Repayments of borrowings	32(b)	**(1,917,836)**	(1,411,753)

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Payment of interest expenses	32(b)	**(487,549)**	(335,265)
Repurchase of ordinary shares	14	**—**	(36,116)
Net cash generated from financing activities		**1,640,076**	1,155,256
Net increase/(decrease) in cash and cash equivalents		**157,779**	(122,338)
Cash and cash equivalents at beginning of year		**1,820,537**	1,957,704
Exchange gains/(losses) on cash and cash equivalents		**34,013**	(14,829)
		2,012,329	1,820,537
Cash and cash equivalents classified as assets held for sale	22	**(11,900)**	—
Cash and cash equivalents at end of year	13	**2,000,429**	1,820,537

The notes on pages 119 to 236 are an integral part of these consolidated financial statements.

Notes to the 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 provision of 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").

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 28 March 2019.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group 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 financial assets at fair value and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards, new amendments and interpretations to existing standards issued and relevant to the Group have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

Standards		Effective for annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018 (i)
IFRS 15	Revenue from contracts with customers	1 January 2018 (ii)
IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IAS 40 (Amendments)	Transfers of investment property	1 January 2018
Annual Improvements 2014–2016 Cycle	IAS 28 (Amendment) to “Investments in Associates and Joint Ventures”	1 January 2018

The Group had to change its accounting policies and make certain adjustments following the adoption of IFRS 9 and IFRS 15. Other newly adopted standards or amendments listed above did not have material impact on the amounts recognized in prior periods and are not expected to significantly affect the amounts for the current or future period.

(i) IFRS 9 “Financial instruments”

IFRS 9 was generally adopted without restating comparative information. The Group used modified retrospective approach while adopting IFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognized in the opening balance sheet on 1 January 2018.

(ii) IFRS 15 “Revenue from contracts with customers”

The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) IFRS 15 "Revenue from contracts with customers" (continued)

The following tables show the retrospective adjustments recognized for each individual line item of the consolidated balance sheet as at 1 January 2018. There is no impact on the consolidated statement of comprehensive income for the year of 2017 by adopting IFRS 9 and IFRS 15.

The adjustments are explained in more details below.

	31 December 2017 As originally presented RMB'000	IFRS 9 (i) RMB'000	IFRS 15 (ii) RMB'000	1 January 2018 Restated RMB'000
Assets				
Non-current assets				
Property, plant and equipment	132,661	–	–	**132,661**
Investment properties	14,792,000	–	–	**14,792,000**
Intangible assets	79	–	–	**79**
Investment accounted for using the equity method	446,229	–	–	**446,229**
Available-for-sale financial assets	55,541	(55,541)	–	**–**
Financial assets at FVPL	–	55,541	–	**55,541**
Long-term trade receivables	15,146	–	–	**15,146**
Other long-term prepayments	506,982	–	–	**506,982**
Restricted cash	102,802	–	–	**102,802**
	16,051,440	–	–	**16,051,440**
Current assets				
Trade and other receivables	80,085	(346)	–	**79,739**
Prepayments	118,470	–	–	**118,470**
Available-for-sale financial assets	269,937	(269,937)	–	**–**
Financial assets at FVPL	–	269,937	–	**269,937**
Cash and cash equivalents	1,820,537	–	–	**1,820,537**
Restricted cash	1,303	–	–	**1,303**
	2,290,332	(346)	–	**2,289,986**
Total assets	18,341,772	(346)	–	**18,341,426**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) IFRS 15 "Revenue from contracts with customers" (continued)

	31 December 2017 As originally presented RMB'000	IFRS 9 (i) RMB'000	IFRS 15 (ii) RMB'000	1 January 2018 Restated RMB'000
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital and share premium	5,724,612	–	–	**5,724,612**
Other reserves	164,578	10,493	–	**175,071**
Retained earnings	3,436,564	(10,839)	–	**3,425,725**
Total equity	9,325,754	(346)	–	**9,325,408**
Liabilities				
Non-current liabilities				
Borrowings	5,559,507	–	–	**5,559,507**
Long-term payables	54,064	–	–	**54,064**
Deferred income tax liabilities	1,521,506	–	–	**1,521,506**
	7,135,077	–	–	**7,135,077**
Current liabilities				
Trade and other payables	626,822	–	–	**626,822**
Current income tax liabilities	49,961	–	–	**49,961**
Borrowings	1,204,158	–	–	**1,204,158**
	1,880,941	–	–	**1,880,941**
Total liabilities	9,016,018	–	–	**9,016,018**
Total equity and liabilities	18,341,772	(346)	–	**18,341,426**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

(i) IFRS 9 "Financial Instruments"

Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities which are subject to IFRS 9.

The adoption of IFRS 9 Financial instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. As a result, the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognized in the opening balance sheet as at 1 January 2018.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	2018 Restated RMB'000
Closing retained earnings at 31 December 2017 — IAS 39		**3,436,564**
Reclassify investments from available-for-sale to FVPL	(1)	**(10,493)**
Increase in loss allowance for trade and other receivables	(2)	**(346)**
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		**(10,839)**
Opening retained earnings at 1 January 2018 — IFRS 9		**3,425,725**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

(i) IFRS 9 "Financial Instruments" (continued)

Impact of adoption (continued)

(1) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets — 1 January 2018	FVPL RMB'000	FVOCI (Available-for-sale 2017) RMB'000
Closing balance 31 December 2017 — IAS 39	—	325,478
Reclassify investments from available-for-sale to FVPL	325,478	(325,478)
Opening balance 1 January 2018 — IFRS 9	**325,478**	**—**

The impact of these changes on the Group's equity is as follows:

	Notes	Effect on available-for-sale reserves RMB'000	Effect on retained earnings* RMB'000
Closing balance at 31 December 2017 — IAS 39		(10,493)	3,436,564
Reclassify investments from available-for-sale to FVPL	(a)	10,493	(10,493)
Opening balance at 1 January 2018 — IFRS 9		**—**	**3,426,071**

* The retained earnings are before adjustment for impairment.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

(i) IFRS 9 "Financial Instruments" (continued)

Impact of adoption (continued)

(1) Classification and measurement (continued)

(a) Reclassification from available-for-sale to FVPL

The Group's debt and equity investments previously classified as available-for-sale under IAS 39 were reclassified to financial assets at FVPL under IFRS 9. Related fair value losses of RMB10,493,000 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

(2) Impairment of financial assets

The Group has trade and other receivables that are subject to IFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under IFRS 9 for these receivables.

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. For other receivables, the impairment provision were determined as the 12 months expected credit loss, as there was no significant increase of credit risk since the initial recognition.

The loss allowances for trade and other receivables as at 31 December 2017 are reconciled to the opening loss allowances on 1 January 2018 as follows:

	Loss allowance of trade receivables Restated RMB'000
Closing loss allowance at 31 December 2017 — IAS 39	—
Amounts restated through opening retained earnings	346
Opening loss allowance at 1 January 2018 — IFRS 9	**346**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

(i) IFRS 9 "Financial Instruments" (continued)

Impact of adoption (continued)

(2) Impairment of financial assets (continued)

During the current reporting period, the loss allowance increased by a further RMB5,516,000 to RMB5,862,000 for trade and other receivables as at 31 December 2018. Note 3.1(b) provides for details about the calculation of the allowance.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

(ii) IFRS 15 "Revenue from Contracts with Customers"

Impact of adoption

IFRS 15 replaces 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.

The Group is engaged in the leasing of storage facilities and the provision of related management services. The Group has not introduced any customer loyalty programme which is likely to be affected by IFRS 15. There are also no separate performance obligations which could affect the timing of the recognition of revenue. Therefore IFRS 15 did not have material impact on the Group's accounting policies.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) ***New standards, new amendments and interpretations to existing standards issued and relevant to the Group but not yet effective***

The following new standards and amendments and interpretations to existing standards 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 2018 and have not been early adopted by the Group:

Standards		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019 (i)
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
IAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
IAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	IFRS 3, IFRS 11, IAS 12, IAS 23	1 January 2019
Amendment to IAS 1 and IAS 8	Definition of materiality	1 January 2020
Amendment to IFRS 3	Definition of business	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) IFRS 16 "Leases"

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, 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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards, new amendments and interpretations to existing standards issued and relevant to the Group but not yet effective (continued)

(i) IFRS 16 "Leases" (continued)

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB534,000. Of these commitments, approximately RMB534,000 relate to short-term leases and low value leases which will be both recognized on a straightline basis as expense in profit or loss.

In addition, the Group leased office building from its associate — Shanghai Hongyu Logistics Co., Ltd. ("Shanghai Hongyu") during the year, under the leasing period commencing from 1 April 2018 to 31 December 2018. The Group also has an option to extend the lease term at market rents under the contract, and the Group is reasonably certain to exercise that option for an extention on the lease term. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The financial impact on the Group's activities as a lessor is not material under IFRS 16. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted by the amount of any previously recognized prepaid or accrued lease payments relating to that lease).

Apart from IFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

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.

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.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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 comprehensive 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.

2.2.2 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.

Impairment testing is also carried out according to Note 2.9 and Note 2.11.

2 Summary of significant accounting policies (continued)

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.

Gains 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 Summary of significant accounting policies (continued)

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/losses-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:

(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 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

Property, plant and equipment include vehicles and machineries, furniture, fittings and equipments and leasehold impairment and are 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.

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
— Leasehold improvement	Shorter of lease period and useful life

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/losses-net" in the consolidated statement of comprehensive income.

2.7 Investment properties

Investment property, principally comprising leasehold land and logistic facilities, 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

2 Summary of significant accounting policies (continued)

2.7 Investment properties (continued)

reporting date. 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.

2.9 Impairment of non-financial assets

Assets that are subject to depreciation or 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

2 Summary of significant accounting policies (continued)

2.10 Non-current assets (or disposal groups) held for sale (continued)

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

2.11 Investments and other financial assets

2.11.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

(a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and

(b) those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.3 Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(a) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Other gains/losses-net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

(b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other gains/losses-net". Interest income from these financial assets is included in "Finance income" using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains/losses-net" and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

(c) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "Other gains/losses-net" in the period in which it arises.

Equity instruments

The Group classified its equity instruments that are held for trading at FVPL. Dividends from such investments continue to be recognized in profit or loss as "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "Other gains/losses-net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVPL are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience, incorporating the forward-looking information on macroeconomic factors affecting the ability of the debtors.

2.11.5 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

(a) loans and receivables, and

(b) available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

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.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.5 Accounting policies applied until 31 December 2017 (continued)

Classification (continued)

(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 2.14 and 2.15).

(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.

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 FVPL. Financial assets carried at FVPL 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 equity investments classified as available for sale are recognized in OCI.

When equity investments 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/losses-net".

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.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.5 Accounting policies applied until 31 December 2017 (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortized cost (continued)

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.

(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 equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. 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. Impairment losses recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2.12 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)

2.13 Derivative financial instruments

The Group's derivative financial instruments refer to foreign exchange swaps. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not designate the derivatives as hedges, and they are categorized as held for trading.

Gains or losses arising from changes in the fair value of the derivative financial instruments are presented in the consolidated statement of comprehensive income within "Other gains/losses-net" in the period in which they arise.

2.14 Trade 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 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 receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 2.11.4 for a description of the Group's impairment policies of trade receivables.

2.15 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.

2.16 Share capital

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

2.17 Trade and other payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade and other 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 and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized 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.

2.19 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)

2.20 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.

(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. Also 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 end of the reporting period 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.

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.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(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.

(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 Summary of significant accounting policies (continued)

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 past expenses are recognized directly in the consolidated statement of comprehensive income.

Government grants relating to future 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 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.

The recognition period of government grants are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.23 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from directors and 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).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. 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.

2 Summary of significant accounting policies (continued)

2.23 Share-based payments (continued)

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.

2.24 Revenue recognition

(a) Rental income

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.

(b) Revenue from providing management services

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, (i.e., over time), and assessed on the basis of actual services provided to the end of the reporting period as a proportion of the total service to be provided.

2.25 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statement of comprehensive 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.

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., borrowings and investments in financial assets at FVPL) denominated in United States Dollars ("US$") and Hong Kong Dollars ("HK$"). 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.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2018		31 December 2017	
	US$ denominated RMB'000	**HK$ denominated RMB'000**	US$ denominated RMB'000	HK$ denominated RMB'000
Cash and cash equivalents	**1,598,313**	**30,780**	1,529,607	4,312
Financial assets at FVPL	**338,594**	**8,919**	—	—
Available-for-sale financial assets	**—**	**—**	317,137	8,341
Borrowings	**(4,077,726)**	**—**	(3,219,278)	—

Sensitivity

At 31 December 2018, if RMB had weakened/strengthened by 5% against US$ and HK$ with all other variables held constant, the Group's profit before tax for the year ended 31 December 2018 would have been decreased/increased by approximately RMB105,056,000 (2017: RMB84,268,000), mainly as a result of foreign exchange losses/gains on translation of US$ and HK$ denominated cash and cash equivalents, financial assets at FVPL and US$ denominated borrowings.

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 2018, 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 2018 would have been decreased/increased by approximately RMB15,097,000 (2017: RMB16,029,000).

(b) Credit risk

(i) Risk management

Credit risk arises from cash and cash equivalents, restricted cash, trade and other receivables and financial assets at FVPL. 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 2018, 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 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.

The Group enters into the financial products contracts with relatively higher interest rates with certain financial institution in mainland China. As at 31 December 2018, these are reflected as financial assets at FVPL 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For other receivables, the impairment provision were determined as the 12 months expected credit loss, as there was no significant increase of credit risk since the initial recognition.

On that basis, the loss allowance as at 1 January 2018 and 31 December 2018 was determined as follows for trade and other receivables:

31 December 2018	Not due RMB'000	Within 90 days RMB'000	91 days to 180 days RMB'000	181 days to 365 days RMB'000	Over 365 days RMB'000	Total RMB'000
Trade receivables						
Gross carrying amount	13,933	6,205	83	137	–	20,358
Expected loss rate	–	0.24%	1.20%	11.68%	100%	
Loss allowance	–	15	1	16	–	32
Other receivables						
Gross carrying amount	62,592	–	–	11,000	330	73,922
Expected loss rate	–	–	–	50%	100%	
Loss allowance	–	–	–	5,500	330	5,830

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

1 January 2018	Not due RMB'000	Within 90 days RMB'000	91 days to 180 days RMB'000	181 days to 365 days RMB'000	Over 365 days RMB'000	Total RMB'000
Trade receivables						
Gross carrying amount	15,146	7,450	–	–	–	22,596
Expected loss rate	–	0.21%	0.21%	11.48%	100%	
Loss allowance	–	16	–	–	–	16
Other receivables						
Gross carrying amount	72,305	–	–	–	330	72,635
Expected loss rate	–	–	–	–	100%	
Loss allowance	–	–	–	–	330	330

The closing loss allowances for trade and other receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	As at 31 December 2018 RMB'000	2017 RMB'000
31 December — calculated under IAS 39	**—**	—
Change in accounting policy — IFRS 9 (Note 2)	**346**	—
Opening loss allowance as at 1 January 2018 — calculated under IFRS 9	**346**	—
Increase in loss allowance recognized in profit or loss during the year	**5,516**	572
Receivables written off during the year as uncollectible	**—**	(572)
As at 31 December	**5,862**	—

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. 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 2018					
Borrowings and interest	**2,424,317**	**3,648,594**	**1,737,625**	**1,121,613**	**8,932,149**
Trade and other payables (excluding non-financial liabilities)	**291,596**	**—**	**—**	**—**	**291,596**
Long-term payables	**—**	**47,135**	**35,154**	**6,740**	**89,029**
	2,715,913	**3,695,729**	**1,772,779**	**1,128,353**	**9,312,774**
At 31 December 2017					
Borrowings and interest	1,625,567	1,602,590	3,765,778	986,648	7,980,583
Trade and other payables (excluding non-financial liabilities)	530,068	—	—	—	530,068
Long-term payables	—	12,419	41,039	606	54,064
	2,155,635	1,615,009	3,806,817	987,254	8,564,715

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 less cash and cash equivalents and restricted cash. Total capital is calculated as "Total equity" as shown in the consolidated balance sheet, plus net debt.

The gearing ratios as at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Total borrowings (Note 18)	**7,667,399**	6,763,665
Less: cash and cash equivalents (Note 13)	**(2,000,429)**	(1,820,537)
restricted cash (Note 13)	**(403,874)**	(104,105)
Net debt	**5,263,096**	4,839,023
Total equity	**11,413,889**	9,325,754
Total capital	**16,676,985**	14,164,777
Gearing ratio	**31.6%**	34.2%

The decrease of gearing ratio during the reporting period is mainly due to the capital injection of non-controlling interests and the increase of retained earnings.

3 Financial risk management (continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value as at 31 December 2018 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).

The following table presents the Group's assets that are measured at fair value at 31 December 2018 and 2017.

As at 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	—	—	347,513	347,513
Investment properties	—	—	17,039,000	17,039,000
	—	—	17,386,513	17,386,513

As at 31 December 2017	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	—	—	325,478	325,478
Investment properties	—	—	14,792,000	14,792,000
	—	—	15,117,478	15,117,478

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

3 Financial risk management (continued)

3.4 Fair value measurements using significant unobservable inputs (Level 3)

Investment Properties

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

Financial assets at FVPL

See Note 12 for disclosures of financial assets at FVPL that are measured at fair value.

3.5 Financial instruments by category

	Financial assets at amortized cost RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
31 December 2018			
Assets as per balance sheet			
Financial assets at FVPL	—	347,513	347,513
Trade and other receivables	74,485	—	74,485
Cash and cash equivalents	2,000,429	—	2,000,429
Restricted cash	403,874	—	403,874
Long-term trade receivables	13,933	—	13,933
	2,492,721	347,513	2,840,234

	Financial liabilities at amortized cost RMB'000
31 December 2018	
Liabilities as per balance sheet	
Borrowings	7,667,399
Trade and other payables excluding non-financial liabilities	291,596
Long-term payables	89,029
	8,048,024

3 Financial risk management (continued)

3.5 Financial instruments by category (continued)

	Financial assets at amortized cost RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2017			
Assets as per balance sheet			
Available-for-sale financial assets	—	325,478	325,478
Trade and other receivables	80,085	—	80,085
Cash and cash equivalents	1,820,537	—	1,820,537
Restricted cash	104,105	—	104,105
Long-term trade receivables	15,146	—	15,146
	2,019,873	325,478	2,345,351

	Financial liabilities at amortized cost RMB'000
31 December 2017	
Liabilities as per balance sheet	
Borrowings	6,763,665
Trade and other payables excluding non-financial liabilities	530,068
Long-term payables	54,064
	7,347,797

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.

(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 valuation methods which involve 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 subsidiaries ("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 reporting 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 the 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 reporting 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 34.4% of the Group's total revenue for the year ended 31 December 2018 (2017: customer A represented 30.3%).

6 Property, plant and equipment

	Vehicles and machineries RMB'000	Furniture, fittings and equipments RMB'000	Leasehold improvement RMB'000	Total RMB'000
Year ended 31 December 2017				
Opening net book amount	1,164	5,456	—	6,620
Additions	363	2,546	125,220	128,129
Disposals	(91)	(65)	—	(156)
Depreciation charge (Note 26)	(397)	(1,535)	—	(1,932)
Closing net book amount	1,039	6,402	125,220	132,661
At 31 December 2017				
Cost	2,165	10,066	125,220	137,451
Accumulated depreciation	(1,126)	(3,664)	—	(4,790)
Net book amount	1,039	6,402	125,220	132,661
Year ended 31 December 2018				
Opening net book amount	**1,039**	**6,402**	**125,220**	**132,661**
Additions	**903**	**9,982**	**1,993**	**12,878**
Impairment (Note 26)	**—**	**(6,966)**	**—**	**(6,966)**
Disposals	**—**	**(2,802)**	**—**	**(2,802)**
Depreciation charge (Note 26)	**(472)**	**(1,703)**	**(5,364)**	**(7,539)**
Closing net book amount	**1,470**	**4,913**	**121,849**	**128,232**
At 31 December 2018				
Cost	**3,068**	**10,191**	**127,213**	**140,472**
Accumulated depreciation	**(1,598)**	**(5,278)**	**(5,364)**	**(12,240)**
Net book amount	**1,470**	**4,913**	**121,849**	**128,232**

7 Investment properties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At fair value		
At beginning of the year	**14,792,000**	12,839,000
Capitalized subsequent expenditure on completed investment properties	**24,596**	29,434
Capitalized expenditure on investment properties under construction	**1,721,160**	1,963,236
Classified as assets held for sale (Note 22)	**(447,000)**	—
Disposal of subsidiaries (Note 25)	**—**	(905,000)
Net gains from fair value adjustment	**948,244**	865,330
At end of the year	**17,039,000**	14,792,000

During the year ended 31 December 2018, the Group has capitalized borrowing costs amounting to RMB132,822,000 (2017: RMB119,961,000) on investment properties under construction (Note 28). Borrowing costs were capitalized at the weighted average rate of its general borrowings of 7.2% (2017: 7.7%).

At 31 December 2018, investment properties of the Group with a total fair value amounting to RMB13,257,000,000 (2017: RMB12,110,000,000) were pledged as collateral mortgages for bank borrowings (Note 18).

As at this report date, the title certificates of certain investment properties with a total fair value of RMB1,237,000,000 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 2018 and 2017. The revaluation gains or losses are included in "Fair value gains on investment properties — net" in the consolidated statement of comprehensive income.

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 developing of investment properties 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.

7 Investment properties (continued)

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 2018 using			
Description	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	–	–	13,901,000	13,901,000
— Logistics facilities — under construction	–	–	1,994,000	1,994,000
— Logistics facilities — leasehold land held for future development	–	–	1,144,000	1,144,000
	–	–	17,039,000	17,039,000

7 Investment properties (continued)

	Fair value measurements at 31 December 2017 using			
Description	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	—	—	11,532,000	11,532,000
— Logistics facilities — under construction	—	—	1,833,000	1,833,000
— Logistics facilities — leasehold land held for future development	—	—	1,427,000	1,427,000
	—	—	14,792,000	14,792,000

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	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**14,792,000**	12,839,000
Additions	**1,745,756**	1,992,670
Classified as assets held for sale (Note 22)	**(447,000)**	—
Disposal of subsidiaries (Note 25)	**—**	(905,000)
Net gains from fair value adjustment	**948,244**	865,330
At end of the year	**17,039,000**	14,792,000
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"	**948,244**	865,330
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	**948,244**	865,330

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Rental income (Note 23)	**510,624**	375,720
Direct operating expenses from properties that generated rental income	**(146,373)**	(127,830)
Direct operating expenses from properties that did not generate rental income	**(3,847)**	(3,531)
Fair value gains recognized	**948,244**	865,330

7 Investment properties (continued)

Valuation processes of the Group

The fair values of the Group's investment properties at 31 December 2018 and 2017 were based on valuations performed by independent professional valuer — Colliers, 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.

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; and
- 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.
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 are 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 2018 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — completed	13,901,000	DCF Method/T&R Analysis	Market rent	RMB17—RMB45 per month per square meter (RMB31 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	7.75%—9.25% (8.5%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5.0%—7.1% (6.05%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.5%—7.3% (6.4%)	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	1,994,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB22—RMB28 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	8.5%—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%—5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB20,201,770—RMB593,959,442	The higher the estimated costs, the lower the fair value and vice versa

7 Investment properties (continued)

Description	Fair value at 31 December 2018 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
			Estimated developer's profit margin	1%–15% (8%)	The higher the estimated profit margin, the lower the fair value and vice versa
Logistics facilities – leasehold land held for future development	1,144,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB23–RMB40 per month per square meter (RMB32 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8%–8.5% (8.25%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	6.15%–7.1% (6.63%)	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	RMB142,800,000– RMB314,112,638	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 2017 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — completed	11,532,000	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	7.75%—9.25% (8.5%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5.0%—7.1% (6.05%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.5%—7.3% (6.40%)	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	1,833,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB23—RMB31 per month per square meter (RMB27 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	RMB36,900,000—RMB316,500,000	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 2017 (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	1,427,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB22–RMB39 per month per square meter (RMB31 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8%–9% (8.5%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	6.15%–7.1% (6.63%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.5%–6.25% (5.88%)	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	RMB138,200,000– RMB539,800,000	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

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	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**446,229**	184,967
Share of post-tax profits of associates	**104,327**	261,262
End of the year	**550,556**	446,229

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 2018:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Shanghai Hongyu	Shanghai/PRC	41%	Associate	Equity

Shanghai Hongyu was 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 2018 and 2017.

Summarized financial information for an associate

Set out below is summarized financial information as at 31 December 2018 and for the year of 2018 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	
	2018	2017
	RMB'000	RMB'000
Current		
Cash and cash equivalents	**5,157**	21,987
Trade and other receivables	**22,632**	99,388
Prepayments	**19,255**	17,632
Total current assets	**47,044**	139,007
Trade and other payables	**(49,550)**	(93,726)
Borrowings	**(49,000)**	(24,000)
Total current liabilities	**(98,550)**	(117,726)
Non-current		
Investment properties	**2,355,000**	1,973,000
Property, plant and equipment	**141**	305
Total non-current assets	**2,355,141**	1,973,305
Borrowings	**(583,695)**	(624,366)
Deferred income tax liabilities	**(377,121)**	(281,856)
Total non-current liabilities	**(960,816)**	(906,222)
Net assets	**1,342,819**	1,088,364

8 Investment accounted for using the equity method (continued)

Summarized statement of comprehensive income

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	**16,543**	23,195
Cost of sales	**(35,646)**	(558)
Finance (expenses)/income	**(9,425)**	614
Other expenses	**(2,810)**	(3,308)
Other (losses)/gains — net	**(3)**	19
Fair value gains on investment properties — net	**381,061**	823,016
Profit before income tax	**349,720**	842,978
Income tax expense	**(95,265)**	(205,754)
Post-tax profit for the year	**254,455**	637,224
Other comprehensive income	**—**	—
Total comprehensive income for the year	**254,455**	637,224

Reconciliation of summarized financial information

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Net assets at beginning of the year	**1,088,364**	451,140
Profit for the year	**254,455**	637,224
Net assets at end of the year	**1,342,819**	1,088,364
Interest in associate (41%)	**550,556**	446,229
Carrying value	**550,556**	446,229

9 Deferred income tax

The analysis of deferred tax liabilities is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	**(1,759,681)**	(1,521,017)
— Deferred tax liability to be recovered within 12 months	**(230)**	(489)
	(1,759,911)	(1,521,506)

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**(1,521,506)**	(1,358,750)
Charged to the consolidated statement of comprehensive income (Note 29)	**(275,991)**	(289,340)
Classified as liabilities held for sale (Note 22)	**37,586**	—
Disposal of subsidiaries (Note 25)	**—**	126,584
At end of the year	**(1,759,911)**	(1,521,506)

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	Share-based payment RMB'000	Tax losses RMB'000	Impairment losses RMB'000	Total RMB'000
At 1 January 2017	2,661	55,925	—	58,586
Credited/(charged) to the consolidated statement of comprehensive income (Note 29)	2,603	(1,189)	—	1,414
At 31 December 2017	5,264	54,736	—	60,000
At 1 January 2018	**5,264**	**54,736**	**—**	**60,000**
Credited/(charged) to the consolidated statement of comprehensive income (Note 29)	**423**	**(5,301)**	**1,465**	**(3,413)**
At 31 December 2018	**5,687**	**49,435**	**1,465**	**56,587**

9 Deferred income tax (continued)

Deferred tax liabilities	Government grant	Leasing income on straight-lined basis	Fair value gains on investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	(18,847)	(4,853)	(1,393,636)	(1,417,336)
Credited/(charged) to the consolidated statement of comprehensive income (Note 29)	—	625	(291,379)	(290,754)
Disposal of subsidiaries (Note 25)	—	—	126,584	126,584
At 31 December 2017	(18,847)	(4,228)	(1,558,431)	(1,581,506)
At 1 January 2018	**(18,847)**	**(4,228)**	**(1,558,431)**	**(1,581,506)**
(Charged)/credited to the consolidated statement of comprehensive income (Note 29)	**(5,735)**	**515**	**(267,358)**	**(272,578)**
Classified as liabilities held for sale (Note 22)	**—**	**—**	**37,586**	**37,586**
At 31 December 2018	**(24,582)**	**(3,713)**	**(1,788,203)**	**(1,816,498)**

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 RMB41,978,000 (2017: RMB56,603,000) in respect of losses amounting to RMB167,912,000 (2017: RMB226,409,000) that can be carried forward against future taxable income. Losses amounting to RMB9,289,000 (2017: RMB12,995,000), RMB41,471,000 (2017: RMB49,071,000), RMB35,345,000 (2017: RMB92,282,000), RMB36,886,000 (2017: RMB71,318,000) and RMB44,921,000 (2017: Nil) will expire in 2019, 2020, 2021, 2022 and 2023, respectively.

The Group did not recognize deferred tax liability on accumulated undistributed profit of its subsidiaries as at 31 December 2018 and 2017, because 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	
	2018	2017
	RMB'000	RMB'000
Rental income receivables	**13,933**	15,146

(b) Other long-term prepayments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Prepayment for construction costs	**321,494**	340,457
Long-term prepaid expenses	**33,461**	27,652
Prepayment for land use rights (i)	**—**	138,873
	354,955	506,982

(i) Prepayments for acquisition of land use rights are related to acquisition of leasehold land for investment 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	
	2018	2017
	RMB'000	RMB'000
Trade receivables		
Rental income receivables from third parties (i)	**4,733**	6,968
Rental income receivables from related parties (i) (Note 35(d))	**1,692**	482
	6,425	7,450
Other receivables		
Other receivables for land use rights and other deposits	**59,864**	67,460
Other receivables due from other third parties	**12,058**	175
Other receivables due from related parties (Note 35(d))	**2,000**	5,000
	73,922	72,635
Less: Loss allowance for trade receivables (Note 3.1(b))	**(32)**	—
Loss allowance for other receivables (Note 3.1(b))	**(5,830)**	—
	(5,862)	—
	74,485	80,085

(i) As at 31 December 2018, trade receivables of RMB1,140,000 were pledged as collateral for the bank borrowings (2017: RMB1,380,000) (Note 18).

As at 31 December 2018 and 31 December 2017, the fair value of the current portion of trade and other receivables of the Group approximated their carrying amounts. As at 31 December 2018 and 31 December 2017, all the carrying amounts of trade and other receivables were denominated in RMB.

11 Trade and other receivables and prepayments (continued)

(a) Trade and other receivables (continued)

As at 31 December 2018 and 2017, 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	
	2018	2017
	RMB'000	RMB'000
Up to 30 days	5,775	6,122
31 to 90 days	430	1,328
91 to 365 days	220	—
	6,425	7,450

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.

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. This resulted in an increase of the loss allowance on both 1 January and 31 December 2018. Information about the calculation of the allowance, the impairment of trade and other receivables and the Group's exposure to credit risk can be found in Note 3.1(b).

(b) Prepayments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Prepaid taxes other than income tax	178,245	102,476
Prepayments for utilities	9,265	15,994
Prepaid income taxes	686	—
	188,196	118,470

12 Financial assets at FVPL/Avaliable-for-sale financial assets

(a) Avaliable-for-sale financial assets

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current	**–**	269,937
Non-current	**–**	55,541
	–	325,478
At beginning of the year	**325,478**	76,119
Additions	**–**	335,971
Settlements	**–**	(73,086)
Classified as financial asset at FVPL (Note 2.1.1)	**(325,478)**	–
Net fair value changes recognized in equity (Note 16)	**–**	(13,526)
At end of the year	**–**	325,478

(b) Financial assets at FVPL

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current	**289,176**	–
Non-current	**58,337**	–
	347,513	–
At beginning of the year	**–**	–
Classified as financial asset at FVPL (Note 2.1.1)	**325,478**	–
Net fair value changes recognized in profit or loss (Note 25)	**22,035**	–
At end of the year	**347,513**	–

12 Financial assets at FVPL/Avaliable-for-sale financial assets (continued)

As at 31 December 2018, financial assets at FVPL are HK$ denominated wealth management product with principal amount of HK$10,000,000 and USD$ denominated wealth management product with principal amount of USD$48,500,000 and expected yield rate of 2%-4% per annum. As at 31 December 2018, the maturity dates of HK$10,000,000 and USD$40,000,000 are within 1 year. The maturity date of USD$8,500,000 is beyond 1 year. The assets are neither past due nor impaired. The fair value of the assets 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.

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

Description	Fair value at 31 December 2018 RMB'000	Valuation technique	Unobservable inputs	Projected rate
Financial assets at FVPL	347,513	DCF	Expected yield rate	2%—4%

13 Cash and cash equivalents and restricted cash

	As at 31 December 2018 RMB'000	2017 RMB'000
Cash at bank and on hand	2,404,303	1,924,642
Less: Restricted cash		
— Current (i)	(91,874)	(1,303)
— Non-current (ii)	(312,000)	(102,802)
Cash and cash equivalents	2,000,429	1,820,537

(i) As at 31 December 2018, restricted deposits of RMB442,000 (2017: RMB1,303,200) were held at bank for construction deposits and restricted deposits of RMB91,432,000 were held at bank as collateral for the current portion of long-term bank borrowing (Note 18).

(ii) As at 31 December 2018, restricted deposits of RMB312,000,000 (2017: RMB102,802,000) were held at bank as collateral for the long-term bank borrowings (Note 18).

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	
	2018	2017
	RMB'000	RMB'000
RMB	**775,210**	390,723
US$	**1,598,313**	1,529,607
HK$	**30,780**	4,312
	2,404,303	1,924,642

14 Share capital and premium

(a) Authorized shares

	Number of authorized shares
At 1 January 2017 and 31 December 2017	8,000,000,000
At 1 January 2018 and 31 December 2018	8,000,000,000

14 Share capital and premium (continued)

(b) Issued shares

	Number of issued shares	Ordinary shares RMB'000	Treasury shares	Share premium RMB'000	Total RMB'000
At 1 January 2017	2,938,994,000	1,203	—	5,759,525	5,760,728
Repurchase of shares (i)	—	—	(36,116)	—	(36,116)
Cancellation of shares (ii)	(17,268,000)	(7)	36,116	(36,109)	—
At 31 December 2017	2,921,726,000	1,196	—	5,723,416	5,724,612
At 1 January 2018	**2,921,726,000**	**1,196**	**—**	**5,723,416**	**5,724,612**
Issue of ordinary shares (iii)	**321,068,999**	**127**	**—**	**727,383**	**727,510**
Employee share option scheme — Exercise of options (Note 17)	**2,483,000**	**—**	**—**	**8,185**	**8,185**
At 31 December 2018	**3,245,277,999**	**1,323**	**—**	**6,458,984**	**6,460,307**

(i) The Company repurchased 17,268,000 ordinary shares of its own through The Stock Exchange of Hong Kong Limited from 12 June 2017 to 23 June 2017. The total amount paid to repurchase the shares was RMB36,116,000 and has been deducted from shareholders' equity.

(ii) The Company cancelled 17,268,000 shares from 26 June 2017 to 4 July 2017. After the cancellation, the Company's ordinary shares in issue were reduced from 2,938,994,000 to 2,921,726,000. The amount of share capital and share premium was deducted accordingly.

(iii) On 11 May 2018, the Company allotted and issued 321,068,999 subscription shares to Jingdong Logistics Group Corporation ("JD Subscriber") at the subscription price of HK$2.80 per share in accordance with the terms and conditions of the subscription agreement entered into with JD Subscriber. The gross proceeds from the subscription is HK$898,993,197 (equivalent to RMB727,510,000).

15 Retained earnings

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At 31 December 2017	**3,436,564**	2,551,522
Change in accounting policy — IFRS 9	**(10,839)**	—
At 1 January 2018	**3,425,725**	2,551,522
Profit for the year	**557,231**	885,800
Appropriation to statutory reserves (Note 16)	**(2,769)**	(758)
At 31 December 2018	**3,980,187**	3,436,564

16 Other reserves

	Reorganization reserve RMB'000	Statutory reserves RMB'000	Share-based payments RMB'000	Available-for-sale financial assets RMB'000	Deemed contribution from Yupei International Investment Management Co., Ltd RMB'000	Foreign currency translation RMB'000	Total RMB'000
At 1 January 2017	10,461	2,903	10,645	3,472	139,716	(355)	166,842
Employee share option scheme							
— Value of employee service (Note 17)	—	—	10,412	—	—	—	10,412
Change in value of available-for-sale financial assets (Note 12)	—	—	—	(13,526)	—	—	(13,526)
Gains transferred to the consolidated statement of comprehensive income (Note 25)	—	—	—	(439)	—	—	(439)
Currency translation differences	—	—	—		—	531	531
Appropriation to statutory reserves (i)	—	758	—	—	—	—	758
At 31 December 2017	10,461	3,661	21,057	(10,493)	139,716	176	164,578
Change in accounting policy — IFRS 9 (Note 2.1.1)	—	—	—	10,493	—	—	10,493
At 1 January 2018 (Restated)	**10,461**	**3,661**	**21,057**	**—**	**139,716**	**176**	**175,071**
Employee share option scheme							
— Value of employee service (Note 17)	**—**	**—**	**1,692**	**—**	**—**	**—**	**1,692**
— Exercise of share options	**—**	**—**	**(4,758)**	**—**	**—**	**—**	**(4,758)**
— Appropriation to statutory reserves (i)	**—**	**2,769**	**—**	**—**	**—**	**—**	**2,769**
At 31 December 2018	**10,461**	**6,430**	**17,991**	**—**	**139,716**	**176**	**174,774**

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.

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.

17 Share-based payments (continued)

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

	Year ended 31 December			
	2018		2017	
	Average exercise price in HK$ per share	Number of options	Average exercise price in HK$ per share	Number of options
As at 1 January	**1.625**	**15,443,200**	1.625	15,824,000
Exercised (Note 14)	**1.625**	**(2,483,000)**	1.625	—
Forfeited during the year	**1.625**	**(1,864,000)**	1.625	(380,800)
As at 31 December	**1.625**	**11,096,200**	1.625	15,443,200

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price in HK$ per share	Number of options as at 31 December 2018	2017
21 March 2016	21 March 2021	1.625	**8,104,200**	12,288,000
28 March 2016	28 March 2021	1.625	**2,992,000**	2,992,000
			11,096,200	15,280,000

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%**

17 Share-based payments (continued)

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 2018 was approximately HK$2,030,000 (equivalent to RMB1,692,000) (2017: HK$12,496,000 equivalent to RMB10,412,000) (Note 27).

18 Borrowings

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets (a)	**3,424,778**	3,221,448
— secured by assets and equity interest of certain subsidiaries (b)	**124,895**	322,939
Long-term borrowings from other financial institutions		
— secured by shares of subsidiary guarantors (d)	**—**	653,044
— unsecured	**684,839**	649,744
Senior Notes		
— secured by guarantees and pledges provided by certain subsidiaries (e)	**2,707,491**	1,916,490
Less: Long-term bank borrowings due within one year	**(583,709)**	(551,114)
Long-term borrowings from other financial institutions due within one year	**(684,839)**	(653,044)
	5,673,455	5,559,507

18 Borrowings (continued)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Current		
Short-term bank borrowings		
— unsecured (c)	**40,000**	—
Short-term senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (f)	**685,396**	—
Current portion of long-term bank borrowings		
— secured by assets (a)	**458,814**	551,114
— secured by assets and equity interest of certain subsidiaries (b)	**124,895**	—
Current portion of long-term borrowings from other financial institutions		
— secured by shares of subsidiary guarantors (d)	**—**	653,044
— unsecured	**684,839**	—
	1,993,944	1,204,158
Total borrowings	**7,667,399**	6,763,665

(a) As at 31 December 2018, bank borrowings of RMB2,614,169,000 (2017: RMB2,535,483,000) with undrawn borrowing amounting to RMB314,000,000 (2017: RMB124,700,000) were secured by the investment properties of the Group amounting to RMB11,007,000,000 (2017: RMB9,149,000,000) (Note 7).

As at 31 December 2018, bank borrowings of RMB298,920,000 (2017: Nil) were secured by restricted deposit of the Group amounting to RMB300,000,000 (2017: Nil) (Note 13).

As at 31 December 2018, bank borrowings of RMB209,346,000 (2017: RMB361,916,000) were secured by the investment properties of the Group amounting to RMB864,000,000 (2017: RMB1,491,000,000) (Note 7), trade receivables amounting to RMB445,000 (2017: RMB1,075,000) (Note 11), and the rental income generated from the lease of the investment properties during the terms of the borrowings (2017: secured by the rental income).

As at 31 December 2018, bank borrowings of RMB302,343,000 (2017: RMB324,049,000) with undrawn borrowing amounting to RMB76,000,000 (2017: RMB76,000,000) were secured by the investment properties of the Group amounting to RMB1,386,000,000 (2017: RMB1,470,000,000) (Note 7), trade receivables amounting to RMB695,000 (2017: RMB305,000) (Note 11), the rental income generated from the lease of the investment properties during the terms of the borrowings (2017: secured by the rental income), and restricted deposits of the Group amounting to RMB34,800,000 (2017: RMB37,460,000) (Note 13).

18 Borrowings (continued)

(b) As at 31 December 2018, bank borrowings of RMB124,895,000 (2017: RMB322,939,000) were secured by the Group's equity interests in certain subsidiaries and restricted deposits of the Group amounting to RMB68,632,000 (2017: RMB65,342,000) (Note 13).

(c) As at 31 December 2018, bank borrowings of RMB40,000,000 (2017: Nil) with undrawn borrowing amounting to RMB8,000,000 (2017: Nil) were unsecured.

(d) 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 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.

On 10 January 2018, the Company exercised the early repayment option and the debt facilities were repaid.

(e) On 8 August 2017, 14 September 2017 and 28 December 2017, the Company issued US$ denominated senior fixed rate notes (the "2017 Notes") in the principal amount of US$100,000,000 respectively, and the aggregate amount of which was US$300,000,000 in total. The 2017 Notes are secured by guarantees and pledges provided by certain subsidiaries of the Group. The 2017 Notes will mature on 8 August 2020, unless earlier redeemed in accordance with the terms thereof. The 2017 Notes bear interest from and including 8 August 2017 at a rate of 8% per annum payable semi-annually in arrears on 8 February and 8 August of each year, commencing on 8 February 2018. The Company has applied the net proceeds of the issuance of the 2017 Notes for repaying existing offshore indebtedness and general corporate purposes.

On 30 November 2018, the Company issued US$ denominated senior fixed rate notes (the "2018 November Notes") in the principal amount of US$104,000,000. The 2018 November Notes is secured by guarantees and pledges provided by certain subsidiaries of the Group. The 2018 November Notes will mature on 30 November 2020, unless earlier redeemed in accordance with the terms thereof. The 2018 November Notes bear interest at a rate of 10.5% per annum payable semi-annually in arrears on 30 May and 30 November of each year, commencing on 30 May 2019. The Company intends to use the net proceeds of the issuance of the 2018 November Notes for repaying existing offshore indebtedness.

18 Borrowings (continued)

(f) On 8 February 2018, the Company issued US$ denominated senior fixed rate notes (the "2018 February Notes") in the principal amount of US$100,000,000. The 2018 February Notes is secured by guarantees and pledges provided by certain subsidiaries of the Group. The 2018 February Notes will mature on 4 February 2019, unless earlier redeemed in accordance with the terms thereof. The 2018 February Notes bear interest at a rate of 9% per annum payable semi-annually in arrears on 7 August 2018 and 4 February 2019. The Company has applied the net proceeds of the issuance of the 2018 February Notes for repaying existing offshore indebtedness and general corporate purposes.

As of the date of these consolidated financial statements, the Company has redeemed the 2018 February Notes.

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 3 of the fair value hierarchy.

At 31 December 2018 and 2017, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**3,589,673**	3,544,387
US$	**4,077,726**	3,219,278
	7,667,399	6,763,665

18 Borrowings (continued)

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Floating rate:		
— Expiring within one year	**76,000**	—
— Expiring over one year	**252,000**	76,000
	328,000	76,000
Fixed rate:		
— Expiring over one year	**70,000**	124,700
	398,000	200,700

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

As at 31 December 2018 and 2017, the Group's borrowing were repayable as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**1,993,944**	1,204,158
Between 1 and 2 years	**3,236,352**	1,292,813
Between 2 and 5 years	**1,473,162**	3,358,044
Over 5 years	**963,941**	908,650
	7,667,399	6,763,665

As at 31 December 2018, borrowings of RMB4,855,319,000 (2017: RMB3,557,919,000) bear fixed interest rates and the remaining borrowings bear floating interest rates.

18 Borrowings (continued)

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	
	2018	2017
	RMB'000	RMB'000
6 months or less	**2,507,125**	2,440,101
6 to 12 months	**1,518,280**	955,883
1 to 5 years	**3,318,654**	3,237,681
Over 5 years	**323,340**	130,000
	7,667,399	6,763,665

The Group's weighted average interest rate on borrowings at the balance sheet date were as follows:

	As at 31 December	
	2018	2017
RMB	**5.9%**	5.7%
US$	**9.3%**	11.1%

19 Deferred income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At 1 January	**—**	—
Additions	**9,248**	56,056
Credit to the consolidated statement of comprehensive income (Note 24)	**(9,248)**	(56,056)
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.

20 Long-term payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Rental deposits payable to third parties	**33,304**	52,735
Rental deposits payable to related parties (Note 35(d))	**32,227**	1,329
Construction deposits	**23,498**	—
	89,029	54,064

21 Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Interest payable	**132,330**	134,007
Payables for construction costs	**110,533**	330,954
Prepaid rents from related parties (Note 35(d))	**23,519**	255
Prepaid rents from third parties	**20,422**	45,870
Other taxes payable	**19,933**	22,121
Rental deposits and rental fees payable to related parties (Note 35(d))	**11,767**	16,415
Deposits	**18,928**	33,376
Accrued operating expenses	**21,807**	22,385
Payables for commission fees and other expenses related to issuance of senior notes (Note 32(b))	**10,824**	14,279
Employee benefit payables	**8,353**	6,123
Payables for financing cost of bank borrowings (Note 32(b))	**6,500**	—
Others	**714**	1,037
	385,630	626,822

At 31 December 2018 and 2017, 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	
	2018	2017
	RMB'000	RMB'000
Up to 1 year	**103,084**	271,361
1 year to 2 years	**5,227**	46,455
Over 2 years	**2,222**	13,138
	110,533	330,954

22 Assets and liabilities classified as held for sale

The following assets and liabilities were reclassified as held for sale as at 31 December 2018:

	As at 31 December 2018 RMB'000
Assets classified as held for sale (i)	
Investment properties (Note 7) (ii)	**447,000**
Other long-term prepayments	**871**
Trade and other receivables	**23,064**
Prepayments	**4**
Cash and cash equivalents	**11,900**
Total assets classified as held for sale	**482,839**
Liabilities directly associated with assets classified as held for sale (i)	
Borrowings (ii)	**207,255**
Long-term payables	**1,000**
Deferred income tax liabilities (Note 9)	**37,586**
Trade and other payables	**571**
Total liabilities classified as held for sale	**246,412**

(i) Pursuant to the cooperation framework agreement that the Company and LaSalle Investment Management Asia Pte. Ltd. ("LaSalle") entered into in August 2018, the Company, through its subsidiary (as the "Seller"), entered into the sale and purchase agreement with LaSalle (as the "Purchaser") on 9 November 2018. Pursuant to the sale and purchase agreement, the Seller has agreed to sell, and the Purchaser has agreed to purchase about 70% of total issued shares in certain project company of the Group. As of the date of these consolidated financial statements, the transaction is still in progress in accordance with the sales and purchase agreement, which is expected to be completed within 12 months' period.

(ii) As at 31 December 2018, bank borrowings of RMB207,255,000 with undrawn borrowing amounting to RMB16,500,000 were secured by the project company's investment property amounting to RMB447,000,000 (Note 7).

23 Revenue

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Rental income	**510,624**	375,720
Revenue from providing property management services (i)	**71,656**	28,180
	582,280	403,900

(i) Unsatisfied property management services

The following table shows unsatisfied performance obligations of property management services resulting from related long-term contracts.

	Year ended 31 December	
	2018	2017*
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term property management services that are partially or fully unsatisfied as at 31 December	**386,988**	—*

* As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

Management expects that approximately 34% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognized as revenue during 2019, and approximately 25% will be recognized as revenue during 2020. The remaining approximately 41% will be recognized during financial years starting from 2021.

24 Other income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Asset related government grants (Note 19)	**9,248**	56,056
Income related government grants	**2,367**	731
Others	**764**	1,013
	12,379	57,800

25 Other gains — net

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Fair value gains on financial assets at FVPL (Note 12)	**22,035**	—
Tax charge for the redemption and conversion of the hybrid instruments	**(9,337)**	—
Contract termination compensation	**(338)**	—
Losses from disposal of property, plant and equipment	**(324)**	130
Donations	**(30)**	(220)
Gains from disposal of subsidiaries (i)	**—**	107,719
Gains from disposal of derivative financial instruments	**—**	566
Gains from disposal of available-for-sale financial assets (Note 16)	**—**	439
Others	**(51)**	(28)
	11,955	108,606

(i) Disposal of subsidiaries

	Year ended 31 December 2017 RMB'000
Total disposal consideration	883,347
Carrying amount of net assets disposed	(764,562)
Exchange losses	(11,066)
Gain on disposal before income tax	107,719
Income tax expense on gain (Note 29)	(40,645)
Gain on disposal after income tax	67,074

25 Other gains — net (continued)

(i) Disposal of subsidiaries (continued)

On 24 July 2017, the Company and Yupei Development (as the "Transferors"), Shanghai Yupei Group Co., Ltd. ("Shanghai Yupei") and Total Superb Investments Limited ("Total Superb") (as the "Transferee") entered into the share purchase agreement, pursuant to which the Transferors have agreed to sell, and the Transferee has agreed to purchase 100% shares in Yupei East China Logistics Property Management Co., Ltd. ("Yupei East China") at the consideration of US$131,428,946 (equivalent to approximately RMB883,347,089) in cash. The Transferee has further agreed to render to Shanghai Yuji Investment Management Consulting Company Limited ("Shanghai Yuji Investment"), the wholly-owned subsidiary of Yupei East China, which owns the land use right and the existing industrial buildings located in Shanghai, PRC, discharge amount of RMB14,037,470 in cash, which amount shall be used for the discharge of the loan owed to Shanghai Yupei by Shanghai Yuji Investment. The completion date of this disposal was on 3 August 2017, which was subject to the payment of the second instalment of the consideration and the discharge amount. As of 31 December 2018, all payments of this disposal transaction were settled.

The carrying amounts of assets and liabilities as at the date of disposal were:

	As at 3 August 2017 RMB'000
Investment properties (Note 7)	905,000
Long-term prepaid	165
Cash and cash equivalents	112
Total assets	905,277
Deferred income tax liabilities (Note 9)	(126,584)
Trade and other payables	(14,131)
Total liabilities	(140,715)
Net assets	764,562

25 Other gains — net (continued)

(i) Disposal of subsidiaries (continued)

Cash flows related to the disposal of subsidiaries were:

	Year ended 31 December 2017 RMB'000
Total disposal consideration	883,347
Add: Discharge amount received	14,037
Less: Exchange losses	(11,066)
Total consideration received	886,318
Less: Cash and cash equivalents of the disposed subsidiaries as at disposal date	(112)
Net proceeds from disposal of subsidiaries	886,206

26 Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Property tax, land tax and other tax charges	**101,185**	90,460
Employee benefit expenses — including directors' emoluments (Note 27)	**49,523**	53,559
Maintenance and repairing costs	**30,221**	28,181
Professional fees	**28,462**	15,817
Leasing fees	**15,567**	21,258
Leasing commission	**12,709**	10,264
Utilities and office expenses	**10,449**	4,785
Depreciation of property, plant and equipment (Note 6)	**7,539**	1,932
Impairment losses of property, plant and equipment (Note 6)	**6,966**	—
Travelling expenses	**5,300**	5,602
Entertainment expenses	**3,740**	830
Auditor's remuneration		
— Audit services	**3,600**	3,805
— Non-audit services	**1,000**	1,000
Insurance expenses	**2,784**	2,421
Bank charges	**444**	443
Impairment loss of trade receivables	**—**	572
Other expenses	**2,276**	2,325
Total cost of sales, selling and marketing expenses and administrative expenses	**281,765**	243,254

27 Employee benefit expenses

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and bonuses	**39,471**	35,819
Employees share option expenses (Note 17)	**1,692**	10,412
Pension, housing fund, medical insurance and other social insurance	**8,360**	7,328
Total employee benefit expense	**49,523**	53,559

(a) Five highest paid individuals

During the year ended 31 December 2018 and 2017, the five highest paid individuals include five directors of the Company, whose emoluments are reflected in the analysis presented in Note 38.

For the year ended 31 December 2018, 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 (2017: Nil).

28 Finance expenses — net

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Finance expenses		
Interest on bank borrowings	**(214,951)**	(196,684)
Interest on borrowings from other financial institutions	**(72,332)**	(206,135)
Interest on senior notes	**(250,642)**	(40,408)
	(537,925)	(443,227)
Less: Capitalization of interest	**132,822**	119,961
Net interest expenses on borrowings	**(405,103)**	(323,266)
Net exchange losses	**(148,714)**	—
Less: Capitalization of exchange losses	**13,481**	—
	(540,336)	(323,266)
Finance income		
Interest income on bank deposits	**15,963**	8,036
Net exchange gains	**—**	88,525
	15,963	96,561
Net finance expenses	**(524,373)**	(226,705)

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	
	2018	2017
	RMB'000	RMB'000
Current tax		
Current tax on profits for the year	**6,738**	10,405
Capital gain tax (a)	**16,445**	40,645
Adjustments for current tax of prior periods	**(5,195)**	749
Total current tax expense	**17,988**	51,799
Deferred income tax	**275,991**	289,340
Income tax expense	**293,979**	341,139

(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 remaining assessable profits for the year.

(iii) PRC corporate income tax ("CIT")

CIT is provided at the rate of 25% (2017: 25%) on the assessable income of entities within the Group incorporated in the PRC.

29 Income tax expense (continued)

(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.

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	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**847,531**	1,226,939
Tax calculated at domestic tax rates applicable to profits in the respective countries	**299,860**	315,172
Tax effects of:		
— Expenses not deductible for tax purpose	**390**	156
— Income not subject to tax	**(2,896)**	(418)
— Tax losses for which the deferred income tax asset was not recognized	**15,775**	26,299
— Utilization of previously unrecognized tax losses	**(30,400)**	(70)
— Capital gain tax on equity transfer transaction of a limited partnership (a)	**16,445**	—
— Adjustments for current tax of prior periods	**(5,195)**	—
Tax charge	**293,979**	341,139

During the year ended 31 December 2018, the effective tax rate is 34.7% (2017: 27.8%).

(a) Save as disclosed in Note 33 to the consolidated financial statements, the Group and ICBC International Investment Management Limited ("ICBCI Investment Management") established a limited partnership in December 2018, which involved the transfer of equity interest in certain project companies wholly owned by certain overseas subsidiaries of the Company, to the limited partnership. After the equity transfer, the project companies are still controlled by the Company. The transfer of equity interest was subject to a 10% capital gain tax. As of the date of this consolidated financial statement, the filing of such equity transfer transaction has not been completed with relevant local tax authories. The capital gain tax amount reflected management's best estimation based on the interpretation of the related tax regulations.

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.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**557,231**	885,800
Weighted average number of ordinary shares in issue	**3,129,270,368**	2,929,699,651
Basic earnings per share (RMB per share)	**0.1781**	0.3024

(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	
	2018	2017
Profit attributable to equity owners of the Company (RMB'000)	**557,231**	885,800
Weighted average number of ordinary shares in issue	**3,129,270,368**	2,929,699,651
Adjustment for shares granted under share option scheme	**3,525,362**	4,636,567
Weighted average number of ordinary shares for diluted earnings per share	**3,132,795,730**	2,934,336,218
Diluted earnings per share (RMB per share)	**0.1779**	0.3019

31 Dividends

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2018.

32 Cash flow information

(a) Cash generated from operations

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**847,531**	1,226,939
Adjustments for:		
— Depreciation of property, plant and equipment (Note 6)	**7,539**	1,932
— Fair value gains on investment properties — net (Note 7)	**(948,244)**	(865,330)
— Fair value gains on financial assets at FVPL (Note 25)	**(22,035)**	—
— Gains from disposal of derivative financial instruments (Note 25)	**—**	(566)
— Gains from disposal of available-for-sale financial assets (Note 25)	**—**	(439)
— Losses/(gains) from disposal of property, plant and equipment (Note 25)	**324**	(130)
— Amortization of intangible asset	**107**	28
— Gains from disposal of subsidiaries (Note 25)	**—**	(107,719)
— Impairment losses on trade and other receivables	**5,516**	—
— Impairment losses of property, plant and equipment (Note 26)	**6,966**	—
— Share-based payment (Note 17)	**1,692**	10,412
— Finance expenses — net (Note 28)	**524,373**	197,113
— Share of results of associated companies (Note 8)	**(104,327)**	(261,262)
— Asset related government grant (Note 24)	**(9,248)**	(56,056)
— Decrease/(increase) in trade and other receivables	**15,800**	(19,339)
— (Decrease)/increase in trade and other payables	**(33,297)**	93,907
Cash generated from operations	**292,697**	219,490

32 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	Year ended 31 December 2017 RMB'000	Cashflows RMB'000	Unpaid commission fee and other expenses related to issuance of senior notes RMB'000	Interest expenses RMB'000	Net exchange losses RMB'000	Classified as liabilities held for sale RMB'000	Year ended 31 December 2018 RMB'000
Bank borrowings and interest	**3,551,977**	**44,398**	**(6,500)**	**214,951**	**–**	**(207,575)**	**3,597,251**
Borrowings from other institutions and interest	**1,367,397**	**(757,753)**	**–**	**72,332**	**31,957**	**–**	**713,933**
Senior notes and interest	**1,978,298**	**1,119,963**	**(10,824)**	**250,642**	**150,466**	**–**	**3,488,545**
Bank borrowings and interest classified as held for sale	**–**	**–**	**–**	**–**	**–**	**207,575**	**207,575**
	6,897,672	**406,608**	**(17,324)**	**537,925**	**182,423**	**–**	**8,007,304**

			Non-cash changes			
	Year ended 31 December 2016 RMB'000	Cashflows RMB'000	Unpaid commission fee and other expenses related to issuance of senior notes RMB'000	Interest expenses RMB'000	Net exchange gains RMB'000	Year ended 31 December 2017 RMB'000
Bank borrowings and interest	3,201,266	155,609	–	195,102	–	3,551,977
Borrowings from other institutions and interest	2,109,997	(837,390)	–	208,086	(113,296)	1,367,397
Senior notes and interest	–	1,972,188	(14,279)	40,039	(19,650)	1,978,298
	5,311,263	1,290,407	(14,279)	443,227	(132,946)	6,897,672

33 Subsidiaries

Particulars of the major subsidiaries of the Group as at 31 December 2018:

(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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Shanghai Yupei	12 June 2000	Private enterprise	339,671	339,671	**99.99%**	100%	**0.01%***	–	Construction of storage facilities related to warehousing service
Shanghai Yupei Investment Management Co., Ltd.	19 November 2003	Private enterprise	10,101	10,000	**99.98%**	100%	**0.02%***	–	Investment management (except for equity investment and investment management)
Tianjin Yupei Warehousing Co., Ltd.	27 March 2014	Private enterprise	110,000	110,000	**99.99%**	100%	**0.01%***	–	Warehousing services, warehouse leasing, logistics, development and construction of warehousing facilities
Hefei Yuhang Warehousing Co., Ltd.	13 May 2014	Private enterprise	62,750	62,750	**99.99%**	100%	**0.01%***	–	Warehousing services, warehouse leasing
Wuhu Yupei Investment Management Co., Ltd.	13 November 2013	Private enterprise	101,010	101,010	**99.99%**	100%	**0.01%***	–	Investment management, project investment, enterprise management consulting
Chuzhou Yuhang Logistics Co., Ltd.	27 August 2007	Private enterprise	50,000	50,000	**99.99%**	100%	**0.01%***	–	Cargo warehousing, cargo agents, stowage loading and unloading and related business advisory service

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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Shenyang Yupei Warehousing Co., Ltd. (a)	28 February 2012	Private enterprise	50,000	50,000	51%	100%	49%	–	Self-owned buildings leasing, warehousing services (excluding hazardous chemicals)
Shenyang Yuhang Logistics Co., Ltd.	25 March 2011	Private enterprise	90,000	90,000	99.99%	100%	0.01%*	–	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	99.99%	100%	0.01%*	–	Warehousing services, cargo transportation consulting services
Beijing Linhaitan Trading Co., Ltd.	31 July 2006	Private enterprise	140,000	140,000	99.99%	100%	0.01%*	–	Warehousing, sales of building materials
Wuhu Yupei Warehousing Co., Ltd.	7 March 2013	Private enterprise	80,000	80,000	99%	100%	1%*	–	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	99.99%	100%	0.01%*	–	Warehousing, house lease, property development and management
Suzhou Yupei Warehousing Co., Ltd.	30 October 2012	Private enterprise	179,000	179,000	99.99%	100%	0.01%*	–	Construction and management of storage facilities, property management

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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Zhengzhou Yupei Warehousing Co., Ltd. (a)	28 February 2014	Private enterprise	130,000	130,000	51%	100%	49%	–	Warehousing services
Anhui Yupei Investment Co., Ltd.	3 April 2014	Private enterprise	707,071	8,654	99.99%	100%	0.01%*	–	Logistics management and enterprise management service and related technical advisory
Jiaxing Yupei Warehousing Co., Ltd.	11 July 2014	Private enterprise	311,657	311,657	99.99%	100%	0.01%*	–	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	70,707	70,707	99.99%	100%	0.01%*	–	Warehousing services, self-owned building leasing, logistic information consulting services
Nantong Yupei Warehousing Co., Ltd.	19 September 2014	Private enterprise	125,101	49,251	99.99%	100%	0.01%*	–	Warehousing services, management of storage facilities and other services, logistics information consulting services, self-owned building leasing and property management

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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Tianjin Yupei Logistics Co., Ltd.	16 September 2014	Private enterprise	187,444	96,874	99.99%	100%	0.01%*	–	Warehousing services, management of storage facilities and other services, logistic information consulting services
Suzhou Yuqing Warehousing Co., Ltd.	10 October 2014	Private enterprise	202,020	202,020	99.99%	100%	0.01%*	–	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	247,475	92,475	99.99%	100%	0.01%*	–	Warehousing management (excluding hazardous article), related consulting and services, property management and self-owned buildings leasing
Huai'an Yupei Warehousing Co., Ltd.	31 October 2014	Private enterprise	92,929	92,929	99.99%	100%	0.01%*	–	Warehousing services, management of storage facilities, logistic information consulting services
Wuhan Yude Warehousing Co., Ltd.	13 November 2014	Private enterprise	67,677	–	99.99%	100%	0.01%*	–	Warehousing services, management of storage facilities, 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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Zhaoqing Yupei Warehousing Co., Ltd.	3 December 2014	Private enterprise	131,313	131,313	**99.99%**	100%	**0.01%***	–	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistics information consulting
Shanxi Xixian New District Yupei Warehousing Co., Ltd.	18 December 2014	Private enterprise	186,414	186,414	**99.99%**	100%	**0.01%***	–	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. (a)	5 December 2014	Private enterprise	US$101,010	US$101,010	**51%**	100%	**49%**	–	Warehousing service (except hazardous chemicals) and consulting services, storage facilities leasing, property management

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities
			RMB'000	RMB'000	2018	2017	2018	2017	
Changsha Yupei Warehousing Co., Ltd.	8 May 2015	Private enterprise	186,869	126,869	99.99%	100%	0.01%*	–	Warehousing management and consulting service; cargo storage (exclude hazardous article); building leasing, logistics information and consulting service
Shanghai Qingyang Horticulture Co., Ltd.	3 July 2001	Private enterprise	5,051	5,000	99.98%	100%	0.02%*	–	Flowers, seedling, fruit trees planting; landscape engineering; greening projects; warehousing service (except hazardous chemicals)
Suzhou Yuzhen Warehousing Co., Ltd.	28 November 2014	Private enterprise	505,051	261,851	99.99%	100%	0.01%*	–	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services
Shanghai Yuzai Investment Management Co., Ltd.	16 January 2015	Private enterprise	150,000	150,000	100%	100%	–	–	Investment management, project investment, enterprise management 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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Xianyang Yupei Warehousing Co., Ltd.	6 February 2015	Private enterprise	101,010	–	99.99%	100%	0.01%*	–	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Haerbin Yupei Warehousing Co., Ltd.	5 February 2015	Private enterprise	173,061	61,731	99.99%	100%	0.01%*	–	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Dalian Yupei Warehousing Co., Ltd.	19 May 2015	Private enterprise	505,051	161,051	99.99%	100%	0.01%*	–	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Chongqing Yupei Warehousing Co., Ltd.	27 January 2015	Private enterprise	202,020	117,020	99.99%	100%	0.01%*	–	Warehousing service (except hazardous chemicals); storage facilities leasing, self-owned building leasing (exclude accommodation); logistics information consulting service; manufacturing and selling automobile components and parts; property management

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities
			RMB'000	RMB'000	2018	2017	2018	2017	
Huizhou Yuanwang Technology Park Development Co., Ltd.	11 October 2012	Private enterprise	95,960	95,000	**99.98%**	100%	**0.02%***	–	Management of storage facilities; warehousing management and related consulting and services; self-owned building leasing, property management and consulting service
Chengdu Shengbao Iron Structure Co., Ltd.	16 April 2010	Private enterprise	131,313	131,313	**99.99%**	100%	**0.01%***	–	Production and sales of steel structure, painted metal and other metals; logistics service; warehousing service (except hazardous chemicals); property management and consulting service; lease of plants; goods and technology importation and exportation
Zhengzhou Hozdo Logistics Co., Ltd.	29 July 2011	Private enterprise	50,505	50,505	**99.99%**	100%	**0.01%***	–	Warehousing services (excluding inflammable and explosive hazardous chemicals), self-owned buildings leasing, logistic information consulting services 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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
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 Trading Co., Ltd.	30 January 2015	Private enterprise	111,111	110,000	**99.98%**	100%	**0.02%***	–	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
Jinan Yuzhen Warehousing Co., Ltd.	11 August 2015	Private enterprise	156,566	156,566	**99.99%**	100%	**0.01%***	–	Warehousing services (excluding hazardous chemicals); self-owned buildings leasing; construction and management 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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Nanchang Yupei Warehousing Co., Ltd.	6 September 2016	Private enterprise	186,869	41,869	**99.99%**	100%	**0.01%***	–	Warehousing services; construction and management of storage facilities; self-owned buildings leasing; logistics information consulting services; property management services
Zhoushan Yupei Warehousing Co., Ltd.	11 October 2016	Private enterprise	133,333	77,883	**99.99%**	100%	**0.01%***	–	Construction, management and leasing of storage facilities; warehousing service (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting service; R&D and manufacturing of logistics equipment

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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Kunshan Yuzai Warehousing Co., Ltd.	20 October 2016	Private enterprise	308,576	108,000	**100%**	100%	**–**	–	Warehousing service (except transportation); management and leasing of storage facilities; logistics information consulting services; property management services; R&D and manufacturing of logistics storage equipments; e-commerce tech development
Zhoushan Yuhang Warehousing Co., Ltd.	26 October 2016	Private enterprise	60,606	52,606	**99.99%**	100%	**0.01%***	–	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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Guiyang Yupei Warehousing Co., Ltd.	2 November 2016	Private enterprise	227,273	87,273	**99.99%**	100%	**0.01%***	–	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
Nanjing Yupei Warehousing Co., Ltd.	4 November 2016	Private enterprise	674,000	235,521	**100%**	100%	**–**	–	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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Kunming Yupei Warehousing Co., Ltd.	9 November 2016	Private enterprise	191,919	147,219	**99.99%**	100%	**0.01%***	–	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	3,000	**100%**	100%	**–**	–	Equity investment; investment management
Wuhu Yuhang Investment Management Co., Ltd.	21 November 2016	Private enterprise	400,000	–	**99.99%**	100%	**0.01%***	–	Equity investment; investment management
Zhangzhou Yupei Logistics Co., Ltd.	13 November 2017	Private enterprise	40,404	–	**99.98%**	100%	**0.02%***	–	Transportation and warehousing services (except hazardous chemicals); construction, operation and leasing of warehousing facilities; property management consulting services; logistics information consulting services; manufaction and R&D of mechanical equipment

33 Subsidiaries (continued)

(i) Subsidiaries — established in the PRC (continued)

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities
			RMB'000	RMB'000	2018	2017	2018	2017	
Zhangzhou Shuomei Logistics Co., Ltd.	13 November 2017	Private enterprise	40,404	–	99.98%	100%	0.02%*	–	Transportation and warehousing services (except hazardous chemicals); construction, operation and leasing of warehousing facilities; property management consulting services; logistics information consulting services; manufaction and R&D of mechanical equipment
Langfang Yupei Warehousing Co., Ltd.	1 January 2018	Private enterprise	101,010	–	99.98%	100%	0.02%*	–	Transportation and warehousing services (except hazardous chemicals); construction, operation and leasing of warehousing facilities; property management consulting services; 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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Shanghai Yuyi industrial Co., Ltd.	19 January 2018	Private enterprise	166,667	165,000	**99.98%**	100%	**0.02%***	–	Real estate development, self-owned building leasing, property management, warehousing services (except dangerous chemicals), sales of machinery and equipment, automotive parts, business consultation, engaged in technology development, technical consultation and technical services in the field of new energy science and technology
Shijiazhuang Yuqing Warehousing Co., Ltd.	12 February 2018	Private enterprise	101,010	–	**99.98%**	100%	**0.02%***	–	Transportation and warehousing services (except hazardous chemicals); construction, operation and leasing of warehousing facilities; property management consulting services; logistics information consulting services; property management

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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Wuhu Yutai Business Management Co., Ltd.	13 July 2018	Private enterprise	50,000	–	**99%**	–	**1%***	–	Enterprise management and consulting services
Yangzhou Yupei Warehousing Co., Ltd.	27 July 2018	Private enterprise	476,400	–	**99.99%**	–	**0.01%***	–	Construction, development and operation of warehousing facilities and industrial factories; warehousing services; property management consulting services; self-owned building leasing; logistics information consulting services
Yinchuan Yuhang Warehousing Co., Ltd.	20 August 2018	Private enterprise	80,000	–	**99.99%**	–	**0.01%***	–	Warehousing services; construction, development and operation of warehousing facilities; 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	Ownership interest held by the Group as at 31 December 2018	2017	Ownership held as at 31 December by non-controlling interests 2018	2017	Principal activities
Shijiazhuang Shuoheng Warehousing Co., Ltd.	28 September 2018	Private enterprise	130,000	–	99.98%	–	0.02%*	–	Warehousing services (except hazardous chemicals); construction, development and operation of warehousing facilities; logistics information consulting services; property management services
Qingdao Yuhang Warehousing Co., Ltd.	12 December 2018	Private enterprise	137,720	34,500	100%	–	–	–	Warehousing services (except banned and inflammable articles and dangerous chemicals); construction, development and operation of warehousing facilities; logistics information consulting services; property management services

* In accordance with the equity transfer and contribution agreements entered into by the Group with Yaochang International Co., Ltd. ("Yaochang") and Shengtai International Group Ltd. ("Shengtai"), respectively, the Group transferred 0.01% – 1%, where applicable, the equity interests in these subsidiaries to Yaochang and Shengtai, respectively, for a total cash consideration of RMB1,300,000.

33 Subsidiaries (continued)

(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.

(a) Material non-controlling interests

As at 31 December 2018, the total non-controlling interests is RMB798,621,000 (2017: Nil), of which RMB796,971,000 is attributed by Yupei Logistics Property Fund I Limited Partnership ("Fund").

On 11 December 2018, Yupei Logistics Property Fund Management I Co., Ltd ("General Partner"), which was co-invested by Yupei Logistics Property Investment I Co., Ltd and Achiever Edge Limited, established the Fund, pursuant to the exempted limited partnership agreement ("LPA"). The General Partner serves as the general partner of the Fund, and Yupei Logistics Property Management 22 Co., Ltd. ("Yupei LP") serves as the limited partner of the Fund. On 21 December 2018, the General Partner, Yupei LP and Elegant Fragrant Limited ("ICBCI LP"), a wholly owned subsidiary of ICBCI Investment Management entered into the amended and restated LPA, pursuant to which Yupei LP and ICBCI LP agreed to jointly invest in the Fund in US$, the equivalent of RMB1,634 million, of which the Company committed to invest 51%, or the equivalent of RMB833 million, and ICBCI LP committed to invest 49%, or the equivalent of RMB801 million.

Pursuant to the share purchase agreement, on 21 December 2018, the Company, through Yupei Development, transferred Wuxi Yupei Warehousing Development Co., Ltd., Shenyang Yupei Warehousing Co., Ltd. and Zhengzhou Yupei Warehousing Co., Ltd. wholly-owned subsidiaries of the Group ("Yupei Project Companies") to the Fund. As a result of such transfer, the Company became the indirect beneficial owner of 51% of the equity interests in the Yupei Project Companies and ICBCI Investment Management became the indirect beneficial owner of 49% of the equity interests in the Yupei Project Companies. The transaction was completed on 24 December 2018 with the capital injection by ICBCI on 27 December 2018.

The Company controls the Fund via its existing rights and ability to direct the major activities of the Yupei Project Companies, and thus the Fund together with the Yupei Project Companies remains to be consolidated subsidiaries of the Group.

33 Subsidiaries (continued)

Summarised financial information on subsidiaries with material non-controlling interests

The following tables illustrate the financial information of the Fund, that has non-controlling interests that are material to the Group. The financial information extracted from the financial statements has been adjusted for differences in accounting policies between the Group and the subsidiaries.

Summarised statement of financial position

	As at 31 December 2018	As at 24 December 2018
Current		
Assets	473,930	1,716,121
Liabilities	(487,067)	(1,711,730)
Total net current (liabilities)/assets	**(13,137)**	**4,391**
Non-current		
Assets	2,191,586	2,191,586
Liabilities	(551,977)	(561,977)
Total net non-current assets	**1,639,609**	**1,629,609**
Net assets	**1,626,472**	**1,634,000**

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	
	2018	2017
	RMB'000	RMB'000
Investment properties	**1,725,507**	1,348,204

(b) Operating lease commitments

As at 31 December 2018, the Group leases offices under non-cancellable operating lease agreements. The lease terms are within 1 year.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**534**	11,769
Later than 1 year and no later than 5 years	—	508
	534	12,277

(c) Repairs and maintenance on investment properties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contractual obligation for future repairs and maintenance-not recognized as a liability	**13,367**	8,522

35 Related party transactions

Before the Listing, Mr. Li Shifa ("Mr. Li") and Ms. Ma Xiaocui ("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.

As disclosed in Note 14(b)(iii), JD Subscriber subscribed for 321,068,999 newly issued shares of the Company on 11 May 2018. After the completion of the subscription, JD Subscriber holds 9.9% of the total issued shares of the Company. Also by representation in the Company's Board, JD Subscriber has significant influence over the Company, and therefore is regarded as the related party since 11 May 2018. As JD Subscriber is ultimately controlled by JD.com, Inc. and all its subsidiaries (together "JD Subsidiaries") are regarded as the related parties since 11 May 2018.

Names and relationships with related parties are as follows:

Company name	Relationships
Shanghai Yupei Industrial (Group) Co., Ltd. ("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
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
Yupei International Investment Management Co., Ltd. ("Yupei International")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei Specialty Building Materials Co., Ltd. ("Yupei Building Materials")	Controlled by Mr. Li and Ms. Ma
Hong Kong Yupei International Holdings Ltd. ("Hong Kong Yupei")	Controlled by Mr. Li and Ms. Ma
Shanghai Hongyu Logistics Co., Ltd. ("Shanghai Hongyu")	Associate of the Company
JD subsidiaries	Ultimately controlled by a shareholder, JD.com, Inc., which has significant influence over the Group

35 Related party transactions (continued)

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. The significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2018 and 2017, and balances arising from related party transactions as at 31 December 2018 and 2017 are summarised below.

(a) Services provided by related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Leasing fees		
— Shanghai Hongyu	**13,927**	19,497

(b) Services provided to related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Rental income and revenue from providing property management services to		
— Yupei Express Logistics	**9,349**	9,199
— Yupei Building Materials	**5,691**	5,525
— Yupei Supply Chain	**17,850**	4,095
— Shanghai Yupei Industrial	**3,300**	—
— Yupei Construction	**—**	761
— Yupei E-commerce	**—**	266
	36,190	19,846

	Period from 11 May to 31 December 2018 RMB'000
Rental income and revenue from providing property management services to	
— JD Subsidiaries	**128,589**

The above transactions were conducted in accordance with the underlying terms of respective agreements in the ordinary course of business.

35 Related party transactions (continued)

(c) 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 summarised below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries and allowance	**11,075**	10,856
Employees share option expenses	**3,411**	9,265
Other social security cost, housing benefits and other employee benefits	**651**	575
	15,137	20,696

35 Related party transactions (continued)

(d) Year-end balances arising from advances to or from related parties and receiving/provision of services from or to related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Prepayment to		
— JD Subsidiaries	**149**	—
Trade receivables from related parties (Note 11(a))		
— Yupei Supply Chain	**—**	281
— Yupei Express Logistics	**—**	201
— JD Subsidiaries	**1,692**	—
	1,692	482
Rental deposits and other receivables from (Note 11(a))		
— Shanghai Hongyu	**2,000**	5,000
Long-term rental deposits payable to (Note 20)		
— Yupei Express Logistics	**329**	329
— Yupei Supply Chain	**254**	1,000
— JD Subsidiaries	**31,644**	—
	32,227	1,329
Prepaid rents from (Note 21)		
— Yupei Supply Chain	**17**	255
— JD Subsidiaries	**23,502**	—
	23,519	255
Rental deposits and rental fees payable to related parties (Note 21)		
— Shanghai Hongyu	**—**	14,163
— Yupei Express Logistics	**2,252**	2,252
— Yupei Supply Chain	**746**	—
— Yupei Building Materials	**44**	—
— JD Subsidiaries	**8,725**	—
	11,767	16,415

35 Related party transactions (continued)

(d) Year-end balances arising from advances to or from related parties and receiving/provision of services from or to related parties (continued)

The receivables from and payables to related parties as at 31 December 2018 and 31 December 2017 arise mainly from ordinary course of businesses. The receivables are unsecured in nature and bear no interest. There are no provisions made against receivables from related parties.

36 Events occurring after the balance sheet date

(a) Repurchase of shares

The Company repurchased 13,576,000 ordinary shares of its own through The Stock Exchange of Hong Kong Limited from 17 January 2019 to 25 January 2019 at an aggregate price of HK$29,031,280 (equivalent to RMB25,035,041).

The Company cancelled 13,576,000 shares on 8 February 2019. After the cancellation, the Company's ordinary shares in issue were reduced from 3,245,277,999 to 3,231,701,999.

Save as disclosed in Note 18, Note 22 and Note 29 to the consolidated financial statements, there are no other material subsequent events undertaken by the Company or by the Group after 31 December 2018.

37 Balance sheet and reserve movement of the Company

Balance sheet of the Company

		As at 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**6,104,637**	6,058,888
Financial assets at FVPL	12	**58,337**	—
Available-for-sale financial assets	12	**—**	55,541
Long-term prepaid		**65**	84
		6,163,039	6,114,513
Current assets			
Trade and other receivables		**9,182**	614
Prepayments		**568**	693
Loans to subsidiaries		**3,105,050**	1,833,622
Financial assets at FVPL	12	**289,176**	—
Available-for-sale financial assets	12	**—**	269,937
Cash and cash equivalents		**112,337**	764,893
		3,516,313	2,869,759
Total assets		**9,679,352**	8,984,272
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital and premium	14	**6,460,307**	5,724,612
Other reserves	11(a)	**157,707**	150,280
Accumulated losses	11(a)	**(1,277,695)**	(781,102)
Total equity		**5,340,319**	5,093,790

37 Balance sheet and reserve movement of the Company (continued)

Balance sheet of the Company (continued)

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
Liabilities			
Non-current liabilities			
Borrowing	18	**2,707,491**	2,566,234
		2,707,491	2,566,234
Current liabilities			
Current income tax liabilities		**—**	19,916
Borrowings	18	**1,370,235**	653,044
Trade and other payables		**261,307**	651,288
		1,631,542	1,324,248
Total liabilities		**4,339,033**	3,890,482
Total equity and liabilities		**9,679,352**	8,984,272

The balance sheet of the Company was approved by the Board on 28 March 2019 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	Share-based payment RMB'000	Available-for-sales financial assets RMB'000	Deemed contribution from Yupei International Investment Management Co., Ltd RMB'000	Total RMB'000
At 1 January 2017	(845,515)	10,645	3,472	139,716	(691,682)
Profit for the year	64,413	—	—	—	64,413
Employee share option scheme					
— Value of employee services	—	10,412	—	—	10,412
Change in value of available-for-sale financial assets	—	—	(13,526)	—	(13,526)
Gains transferred to the consolidated statement of comprehensive income	—	—	(439)	—	(439)
At 31 December 2017	(781,102)	21,057	(10,493)	139,716	(630,822)
Change in accounting policy-IFRS 9	**(10,493)**	**—**	**10,493**	**—**	**—**
At 1 January 2018	**(791,595)**	**21,057**	**—**	**139,716**	**(630,822)**
Loss for the year	**(486,100)**	**—**	**—**	**—**	**(486,100)**
Employee share option scheme					
— Value of employee services	**—**	**1,692**	**—**	**—**	**1,692**
— Exercise of share options	**—**	**(4,758)**	**—**	**—**	**(4,758)**
At 31 December 2018	**(1,277,695)**	**17,991**	**—**	**139,716**	**(1,119,988)**

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 2018 and 2017 are set out as follows:

	Year ended 31 December 2018				
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	1,301	–	50	45	1,396
Mr. Pan Naiyue (i)	1,230	708	50	45	2,033
Mr. Zhang Long (iii)	419	–	20	18	457
Mr. Wu Guolin	740	627	50	45	1,462
Ms. Li Huifang	709	238	50	45	1,042
Mr. Chen Runfu	–	–	–	–	–
Ms. Shi Lianghua	566	552	50	45	1,213
Mr. Cheuk Shun Wah	3,394	–	15	–	3,409
Non-executive Directors:					
Ms. Li Qing	–	632	–	–	632
Mr. Huang Xufeng	–	–	–	–	–
Mr. Fu Bing	–	–	–	–	–
Independent Non-executive Directors:					
Mr. Guo Jingbin	308	–	–	–	308
Mr. Fung Ching Simon	308	–	–	–	308
Mr. Wang Tianye	308	–	–	–	308
Mr. Leung Chi Ching	308	–	–	–	308
Mr. Chen Yaomin	308	–	–	–	308
	9,899	2,757	285	243	13,184

38 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

	Year ended 31 December 2017				
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 (ii)	1,302	—	46	42	1,390
Mr. Pan Naiyue	1,067	1,665	46	42	2,820
Mr. Zhang Long	847	1,665	46	42	2,600
Mr. Wu Guolin	713	1,476	46	42	2,277
Ms. Li Huifang	579	560	46	42	1,227
Mr. Chen Runfu	—	—	—	—	—
Ms. Shi Lianghua	625	1,299	46	42	2,012
Mr. Cheuk Shun Wah	3,430	—	19	—	3,449
Non-executive Directors:					
Ms. Li Qing	189	1,490	15	13	1,707
Mr. Huang Xufeng	—	—	—	—	—
Independent Non-executive Directors:					
Mr. Guo Jingbin	311	—	—	—	311
Mr. Fung Ching Simon	311	—	—	—	311
Mr. Wang Tianye	311	—	—	—	311
Mr. Leung Chi Ching	311	—	—	—	311
Mr. Chen Yaomin	235	—	—	—	235
	10,231	8,155	310	265	18,961

38 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

(i) Mr. Pan was appointed as chief executive officer of the Company on 26 March 2018.

(ii) Mr. Li resigned as chief executive officer of the Company with effect from 26 March 2018.

(iii) Mr. Zhang resigned as executive director of the Company with effect from 25 May 2018.

During the year ended 31 December 2018, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil). No directors waived or had agreed to waive any emoluments.

(b) Directors' retirement benefits

During the year ended 31 December 2018, 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 (2017: Nil).

(c) Directors' termination benefits

During the year ended 31 December 2018, 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 (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, no consideration was provided to or receivable by third parties for making available director's services (2017: 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 2018 and 2017 or at any time during the years.

(f) Directors' material interests in transactions, arrangements or contracts

Except as disclosed in Note 35, 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 2018 and 2017 or at any time during the years.

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中國物流資產控股有限公司

CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD