中国物流资产 CHINA LOGISTICS PROPERTY HOLDINGS

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)
股份代號 STOCK CODE : 1589

START A NEW CHAPTER 開啓新篇章

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

2019 Interim Report
中 期 報 告

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. So Ka Man

AUTHORIZED REPRESENTATIVES

Ms. Li Qing
Ms. So Ka Man

LEGAL ADVISORS

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AUDITOR

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COMPANY'S WEBSITE

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STOCK CODE

1589

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PRINCIPAL BANKS

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

Business Overview and Outlook

BUSINESS OVERVIEW

As of 30 June 2019, China Logistics Property Holdings Co., Ltd (the "**Company**", together with its subsidiaries, the "**Group**") had 153 logistics facilities in operation in 33 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 demands and thereby grew its revenue by 28.0% from RMB274.3 million for the six months ended 30 June 2018 to RMB351.1 million for the six months ended 30 June 2019 (the "**Reporting Period**"). The Group's gross profit increased from RMB199.3 million for the six months ended 30 June 2018 to RMB274.5 million for the Reporting Period.

Major Operating Data of the Group's Logistics Parks

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

	As of 30 June 2019	As of 31 December 2018
Completed GFA:		
Stabilized logistics parks (million sq.m.)(1)	**2.5**	2.5
Pre-stabilized logistics parks (million sq.m.)(2)	**0.3**	0.3
Total (million sq.m.)	**2.8**	2.8
Logistics parks under development or being repositioned (million sq.m.)	**0.9**	1.3
Land held for future development (million sq.m.)	**0.7**	0.4
Investments accounted for using equity method (million sq.m.)	**0.3**	0.1
Total GFA (million sq.m.)	**4.7**	4.6
Investment projects (million sq.m.)(3)	**4.4**	3.3
Occupancy rate for stabilized logistics parks (%)(1)	**91.4**	92.4

(1) Logistics facilities (i) for which construction have been completed for more than 12 months as of 30 June 2019 or 31 December 2018 (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 30 June 2019 or 31 December 2018 (as the case may be) or (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 June 2019, the Company successfully issued convertible bonds with an aggregate principal amount of HK$1,109,000,000 at the rate of 6.95% due 2024. The convertible bonds became listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 June 2019. A portion of the proceeds from the issuance of the convertible bonds have been used to repay the principal and interests of a loan in the principal amount of US$100,000,000 and the interests for the existing US dollar senior notes at a coupon rate of 8% due 2020. The remaining proceeds will be used to repay the interests of the US dollar senior notes and the principal of other offshore loans. For further details, please refer to the announcements of the Company dated 23 May 2019, 28 May 2019 and 26 June 2019.

INDUSTRY OVERVIEW

In recent years, China's economy has experienced a critical transitional period, shifting from rapid development to high-quality development. Further, consumption became the main impetus for economic development. According to the National Bureau of Statistics of the PRC, the gross domestic product for the first half of 2019 reached RMB45,093.3 billion, up by 6.3% year-on-year, 60.1% of which was contributed by final consumption expenditures. As of June 2019, the total amount of retail sales of consumer goods was RMB19,520.9 billion, up by 8.4% year-on-year. Such increase in consumption gave rise to a growing demand for logistics services. According to China Federation of Logistics & Purchasing, from January to June 2019, the total amount of the national social logistics was RMB139.5 trillion, representing a year-on-year increase of 6.1% based on the comparable prices; and the total amount of the social logistics cost was RMB6.6 trillion, representing a year-on-year increase of 8.0%. Thanks to the growing demand for logistics services, the Chinese logistics facilities market has witnessed a sustained development. According to a report from DTZ Cushman & Wakefield Limited, an independent professional real estate consultant, as of the second quarter of 2019, the inventory level of the premium logistics facilities in China continued to increase to 54.0 million square meters ("**sq.m.**"), up by 5.9% as compared to the fourth quarter of 2018. During the first half of 2019, the overall vacancy rate of high-standard warehouses remained at a relatively healthy level, and the rental price of premium logistics warehousing services was basically flat as compared to that of last year. Capitalization rates of premium logistics assets in the first-tier cities generally ranged from 4.5% to 5.0%, while such rates in the second, third and fourth-tier cities ranged from 5.5% to 7.0%.

As for the market conditions in the second quarter of 2019, the inventory level of the premium logistics warehouses in mainland China accumulated to 54.0 million sq.m., of which approximately 600,000 sq.m. were from projects newly put to market, and the overall vacancy rate increased slightly by 0.2 percentage point compared to that of the first quarter of 2019. During the second quarter of 2019, in Northern China, the average rentals increased by 2.1% compared to that of the first quarter of 2019, and it is expected that supply will be focused in Tianjin, Shenyang, Qingdao and Xi'an during the second half of 2019. Driven by significant factors such as the construction of the "Belt and Road" and the global cooperation in production capacity, Xi'an, Lanzhou, Urumchi and other important hub cities may attract capital attention. In Eastern China, the average rentals increased slightly by 0.3 percentage point compared to that of the first quarter of 2019. The Outline of the Plan for Integrated Development of the Yangtze River Delta Region (《長江三角洲區域一體化發展規劃綱要》) will promote the integrated development within the region from multiple levels and dimensions such as transportation, network, information and government affairs, which will bring more positive growth space for logistics real estates for non-core cities within the region, including Yangzhou and Nantong located at the North side of the Yangtze River, and Hefei and Wuhu located at the West side of the Yangtze River. In Southern China, there was no change in the average rentals generally. The Guangdong-Hong Kong-Macao Greater Bay Area combines professional services, commercial trade, international aviation, shipping hubs and other superior functions, and will bring a new round of development opportunities for the logistics and warehousing market in the Greater Bay Area. In Central China, logistics real estates in Zhengzhou has been favored by more and more investors in the past few quarters with the support of the Zhengzhou government for the development of modern logistics industry, while the leasing demand in the warehousing market of Changsha was strong. In the Southwest region, Chengdu and Chongqing act as important logistics hubs. However, due to the large supply in the two markets, the situations of the core and non-core areas still differed considerably. In Yunnan and Guizhou, there were relatively lower levels of market stocks, while tenants still favor high-quality warehousing business and the overall rental market was stable.

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 services has become a main driving force for the advanced logistics sector, taking a leading position in the leasing market. In addition, the overall demand of the traditional retail and manufacturing sectors remained steady. According to the National Bureau of Statistics of the PRC, during the first half of 2019, the e-commerce sector in China kept at a higher growth rate in its development, and the total amount of online retail sales in the first half of the year amounted to RMB4,816.1 billion, representing an increase of 17.8% year-on-year. In particular, the online retail sales of physical goods amounted to RMB3,816.5 billion, representing an increase of 21.6% year-on-year and accounting for 19.6% of the total retail sales of consumer goods. In line with the further release of consumption potential in Midwest China and rural areas and the further 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 the logistics facilities sector in the future. With the official issuance of 5G commercial-use licenses by the Ministry of Industry and Information Technology in early June 2019, China officially entered into the opening year of 5G commercial-use. The 5G network will further empower the use of emerging technologies such as artificial intelligence ("**AI**"), big data, cloud computing and the Internet-of-Things in various industries to further improve logistics efficiency and accelerate the transformation towards intelligent traditional logistics real estate.

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 relative to the vast-sized economy and population in China. Further, the area of logistics facilities per capita is significantly smaller than those in the developed markets, such as Europe, the United States and Japan. With increasing 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 the second half of 2019, the Group will continue its efforts to achieve its goal to develop into the largest provider of premium logistics facilities in China and maintain 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 strengthening 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 30 June 2019, the Group has approximately 0.7 million sq.m. of GFA of land held for future development and approximately 4.4 million sq.m. of GFA of investment projects. Going forward, the Group plans to continue its focus in regions that are more economically developed, 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. Such initiatives are in line with our aim to continue to build a network of logistics facilities in the region.

- *Accelerate lease-up cycle and optimize tenant portfolio* — In the first half of 2019, the occupancy rate for our stabilized logistics parks reached 91.4%, maintaining a relatively high occupancy rate, 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. In addition, the Group will experimentally install water recycling system in some logistics parks, and will promote the water recycling system 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 will continue to increase as the economic growth in China is expected to be driven by increasing consumption in the future as compared with PRC government and private sector investments, which had been the main growth driver 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 gross domestic product, and is targeting to lower the ratio to around 12% by 2025. To achieve this goal, more investments in high-standard logistics facilities will be required 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 increasingly more important to consumers and is surpassing 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.

Management Discussion and Analysis

FINANCIAL OVERVIEW

The following table is a summary of the Group's condensed 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 six months ended 30 June 2018 to the six months ended 30 June 2019:

	Six months ended 30 June				Year-on-Year
	2019		2018		Change
	RMB	%	RMB	%	%
	Unaudited		Unaudited		
	(In thousands, except for percentages and per share data)				
Condensed Consolidated Statement of Comprehensive Income					
Revenue	**351,122**	**100**	274,295	100	28.0
Cost of sales	**(76,591)**	**(21.8)**	(75,042)	(27.4)	2.1
Gross profit	**274,531**	**78.2**	199,253	72.6	37.8
Selling and marketing expenses	**(14,154)**	**(4.0)**	(13,709)	(5.0)	3.2
Administrative expenses	**(48,548)**	**(13.8)**	(52,956)	(19.3)	(8.3)
Net impairment losses on financial assets	**(219)**	**(0.1)**	—	—	—
Other income	**14,737**	**4.2**	3,189	1.2	362.1
Fair value gains on investment properties — net	**275,015**	**78.3**	493,107	179.8	(44.2)
Other gains/(losses) — net	**3,584**	**1.0**	(2,693)	(1.0)	(233.1)
Operating profit	**504,946**	**143.8**	626,191	228.3	(19.4)
Finance income	**10,739**	**3.1**	5,928	2.2	81.2
Finance costs	**(262,046)**	**(74.6)**	(228,478)	(83.3)	14.7
Finance expenses — net	**(251,307)**	**(71.6)**	(222,550)	(81.1)	12.9
Share of profit of investments accounted for using the equity method	**85,265**	**24.3**	12,282	4.5	594.2
Profit before income tax	**338,904**	**96.5**	415,923	151.6	(18.5)
Income tax expense	**(124,995)**	**(35.6)**	(127,190)	(46.4)	(1.7)
Profit for the period	**213,909**	**60.9**	288,733	105.3	(25.9)
Profit for the period attributable to:					
Owners of the Company	**191,827**	**54.6**	288,733	105.3	(33.6)
Non-controlling interests	**22,082**	**6.3**	—	—	—
	213,909	**60.9**	288,733	105.3	(25.9)

	Six months ended 30 June				Year-on-Year
	2019		2018		Change
	RMB	%	RMB	%	%
	Unaudited		Unaudited		
	(In thousands, except for percentages and per share data)				
Other comprehensive income for the period, net of tax	**—**	**—**	—	—	—
Total comprehensive income for the period	**213,909**	**60.9**	288,733	105.3	(25.9)
Total comprehensive income for the period attributable to:					
Owners of the Company	**191,827**	**54.6**	288,733	105.3	(33.6)
Non-controlling interests	**22,082**	**6.3**	—	—	—
	213,909	**60.9**	288,733	105.3	(25.9)
Earnings per share (expressed in RMB)					
Basic	**0.0593**		0.0959		
Diluted	**0.0591**		0.0958		

Revenue

The Group's revenue increased by 28.0% from RMB274.3 million for the six months ended 30 June 2018 to RMB351.1 million for the same period of 2019, 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; (ii) an increase of average occupancy rate of logistics parks which were completed and put into operation in 2018 during the first half of 2019 and (iii) an increase in the average unit rental.

Cost of Sales

The Group's cost of sales increased by 2.1% from RMB75.0 million for the six months ended 30 June 2018 to RMB76.6 million for the same period of 2019, 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 27.4% in the first half of 2018 to 21.8% for the same period of 2019. 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 37.8% from RMB199.3 million for the six months ended 30 June 2018 to RMB274.5 million for the same period of 2019. The Group's gross profit margin increased from 72.6% for the six months ended 30 June 2018 to 78.2% for the same period of 2019.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 3.2% from RMB13.7 million for the six months ended 30 June 2018 to RMB14.2 million for the same period of 2019, 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 5.0% in the first half of 2018 to 4.0% for the same period of 2019.

Administrative Expenses

The Group's administrative expenses decreased by 8.3% from RMB53.0 million for the six months ended 30 June 2018 to RMB48.5 million for the same period of 2019, primarily because the Group recognized impairment losses of property, plant and equipment for the six months ended 30 June 2018 while no such impairment had taken place during the Reporting Period. As a percentage of the Group's revenue, administrative expenses decreased from 19.3% in the first half of 2018 to 13.8% in the first half of 2019. The decrease was primarily due to the decrease in the Group's impairment losses and an increase in economies of scale from the Group's growing operation scale.

Net Impairment Losses on Financial Assets

The Group recorded net impairment losses on financial assets of RMB0.2 million for the six months ended 30 June 2019. The Group did not recognize any net impairment loss on financial assets for the same period in 2018.

Other Income

The Group's other income increased by 362.1% from RMB3.2 million for the six months ended 30 June 2018 to RMB14.7 million for the same period of 2019, primarily because of the increase of 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 decreased by 44.2% from RMB493.1 million for the six months ended 30 June 2018 to RMB275.0 million for the same period of 2019. The main reasons are (i) the average market rent in the first and second-tier cities has stabilized this year, resulting in a steady increase in the valuation of the logistics parks which are under operation and to be developed in the corresponding regions; and (ii) the slowdown of project development progress and the disposal of 70% equity interest in two subsidiaries reduced the number of projects under development, resulting in the overall decrease in the fair value gains on the projects under development during the Reporting Period.

Other Gains/(Losses) — Net

The Group recorded net other gains of RMB3.6 million for the six months ended 30 June 2019 as compared to the net other losses of RMB2.7 million recorded for the same period of 2018. The increase in net other gains was primarily attributable to a decrease in tax charge for the redemption and conversion of the hybrid instruments.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 19.4% from RMB626.2 million for the six months ended 30 June 2018 to RMB504.9 million for the same period of 2019. As a percentage of the Group's revenue, the Group's operating profit decreased from 228.3% for the six months ended 30 June 2018 to 143.8% for the same period of 2019.

Finance Income

The Group's finance income increased by 81.2% from RMB5.9 million for the six months ended 30 June 2018 to RMB10.7 million for the same period of 2019, primarily as a result of an increase in interest income on bank deposits.

Finance Costs

The Group's finance costs increased by 14.7% from RMB228.5 million for the six months ended 30 June 2018 to RMB262.0 million for the same period of 2019, primarily due to (i) an increase in interest expense on borrowings because of the rapid business development of the Group; (ii) an increase in interests expense on the Group's outstanding senior notes; (iii) the transaction cost that the Group incurred for the offering of convertible bonds; and (iv) an increase in interests expense on lease liabilities.

Income Tax Expense

The Group's income tax expense decreased by 1.7% from RMB127.2 million for the six months ended 30 June 2018 to RMB125.0 million for the same period of 2019. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, increased from 30.6% in the first half of 2018 to 36.9% for the same period in 2019, primarily due to the increased finance costs of debt financing recognized by overseas companies, while such losses were not deductible for tax purposes.

Profit for the Period

As a result of the foregoing, the Group's profit for the period decreased by 25.9% from RMB288.7 million for the six months ended 30 June 2018 to RMB213.9 million for the same period of 2019.

Non-IFRSs Measure

To supplement the Group's condensed consolidated interim financial information which is presented in accordance with IFRSs, the Group also uses core net profit as an additional financial measure. The Group presents such 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 period, adding back our net interest expenses, transaction cost of convertible bonds, 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 RMB136.4 million for the six months ended 30 June 2018 to RMB236.2 million for the same period in 2019. 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 for the first half of 2019 was 67.3%.

Earnings per Share

The Group's basic earnings per share and diluted earnings per share decreased by 38.2% and 38.3% from RMB0.0959 and RMB0.0958 for the six months ended 30 June 2018 to RMB0.0593 and RMB0.0591 for the Reporting Period, respectively, primarily as a result of (i) the increase in the weighted average number of ordinary shares in issue from 3,011,172,812 shares for the six months ended 30 June 2018 to 3,233,255,616 shares for the Reporting Period; and (ii) the decrease in the profit for the period attributable to owners of the Company from RMB288.7 million for the six months ended 30 June 2018 to RMB191.8 million for the Reporting Period.

LIQUIDITY AND CAPITAL RESOURCES

For the Reporting Period, the Group financed its operations primarily through cash from the Group's operations, borrowings from banks and other financial institutions, senior notes, asset-backed notes and convertible bonds issuance. The Group intends to finance its expansion and business operations with internal resources, which it will obtain through organic and sustainable growth, and borrowings.

Cash and Cash Equivalents

As of 30 June 2019, the Group had cash and cash equivalents of RMB1,798.8 million (31 December 2018: RMB2,000.4 million), which primarily consisted of cash at bank and on hand that were denominated in Renminbi, U.S. dollars and Hong Kong dollars.

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 at the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Indebtedness

(a) Borrowings

As of 30 June 2019, the Group's total outstanding borrowings amounted to RMB7,019.7 million. The Group's borrowings were denominated in Renminbi (as to 59%) and U.S. dollars (as to 41%). The following table sets forth a breakdown of the Group's current and non-current borrowings as of the dates indicated:

	As of 30 June 2019 Unaudited	As of 31 December 2018 Audited
	(in RMB thousands)	
Non-current		
Long-term bank borrowings		
— secured by assets	**3,630,380**	3,424,778
— secured by assets and equity interest of certain subsidiaries	**—**	124,895
Long-term borrowings from other financial institutions		
— unsecured	**171,138**	684,839
Senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**2,729,313**	2,707,491
Asset-backed medium-term notes ("**ABN**")		
— secured by assets	**448,860**	—
	6,979,691	6,942,003
Less: Long-term bank borrowings due within one year	**(479,593)**	(583,709)
Long-term borrowings from other financial institutions due within one year	**(171,138)**	(684,839)
ABN due within one year	**(554)**	—
	6,328,406	5,673,455

	As of 30 June 2019 Unaudited	As of 31 December 2018 Audited
	(in RMB thousands)	
Current		
Short-term bank borrowings		
— unsecured	**40,000**	40,000
Short-term senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**—**	685,396
Current portion of ABN		
— secured by assets	**554**	—
Current portion of long-term bank borrowings		
— secured by assets	**479,593**	458,814
— secured by assets and equity interest of certain subsidiaries	**—**	124,895
Current portion of long-term borrowings from other financial institutions		
— unsecured	**171,138**	684,839
	691,285	1,993,944
Total borrowings	**7,019,691**	7,667,399

As of 30 June 2019, the Group's borrowings of RMB4,180.6 million (31 December 2018: RMB4,855.3 million) bore fixed interest rates and the remaining borrowings of RMB2,839.1 million bore 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 2018 and the Reporting Period were as follows:

	As of 30 June 2019 Unaudited	As of 31 December 2018 Audited
RMB	**5.7%**	5.9%
US$	**10.2%**	9.3%

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 30 June 2019 Unaudited	As of 31 December 2018 Audited
	(in RMB thousands)	
Within one year	**691,285**	1,993,944
Between one and two years	**3,161,429**	3,236,352
Between two and five years	**1,416,164**	1,473,162
Over five years	**1,750,813**	963,941
Total Borrowings	**7,019,691**	7,667,399

The Group has the following undrawn borrowing facilities:

	As of 30 June 2019 Unaudited	As of 31 December 2018 Audited
	(in RMB thousands)	
Floating rate:		
Expiring within one year	**96,000**	76,000
Expiring beyond one year	**489,300**	252,000
Fixed rate:		
Expiring beyond one year	**–**	70,000
	585,300	398,000

GEARING RATIO

The Group's gearing ratio is calculated by dividing (i) the Group's interest-bearing borrowings, lease liabilities less cash and cash equivalents and restricted cash, being the Group's net debt, by (ii) the sum of net debt, the convertible bonds and the Group's total equity, being the Group's total capital. As of 31 December 2018 and 30 June 2019, the Group's gearing ratio was 31.6% and 29.4%, respectively.

CAPITAL EXPENDITURES

The Group made capital expenditures of RMB727.7 million, which represent the spending on the development of its logistics park projects, the acquisition of land and the acquisition of property, plant and equipment during the Reporting Period. For the six months ended 30 June 2018, the Group made capital expenditures of RMB1,164.7 million. The Group's capital expenditures in the first half of 2019 were funded primarily by cash generated from its operating activities, bank borrowings and senior notes.

CONTINGENT LIABILITIES AND GUARANTEES

As of 30 June 2019, there were no significant unrecorded contingent liabilities, guarantees or litigation against the Group.

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 economical 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

During the Reporting Period, 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 Company's 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 30 June 2019, the Group had a total of 180 employees. The Group has established comprehensive training programs to support and encourage its employees and continued to organize on-the-job training on a regular basis to employees from member of its management team to newly hired employees to improve their relevant skills at work. The Group offers competitive remuneration package which includes salary, bonuses and other cash subsidies. In general, the Group determines employees' 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.

For the Reporting Period, the total employee benefit expenses of the Group (including salaries, wages, bonuses, employees share option expenses, pension, housing, medical insurance and other social insurance) amounted to RMB23.2 million, representing approximately 6.6% 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 report) have been granted by the Company and 9,071,800 shares (representing approximately 0.28% of the total issued share capital of the Company as of the date of this report) remained outstanding as of 30 June 2019.

DIVIDENDS

The Company did not declare or distribute any dividend to the Company's shareholders for the six months ended 30 June 2018 and for the same period of 2019.

OBSERVANCE OF UNDERTAKING RELATING TO LEASE REGISTRATION

Historically, certain leases of the Group for its logistics facilities, offices and registered addresses had not been registered and filed with relevant land and real estate administration bureaus in the PRC and prior to the listing of the Company, the Group had enhanced its internal control measures by, among others, (i) establishing a team to communicate and coordinate with tenants and lessors to obtain lease registration, (ii) reporting the 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 that existing tenants sign future leases with such cooperation term upon renewal. As a result of the Group's dedication in the rectification of non-registration of leases, as of 30 June 2019, eight leases out of the 148 leases for the Group's logistics facilities (covering GFA of approximately 2,364,231 sq.m.) had been registered. The Group is in the process of registering the remaining 140 leases and will take all practicable steps to ensure that such leases are registered.

Other Information

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

As of 30 June 2019, the interests of the Directors or the chief executive of the Company in the shares (the "**Shares**") or underlying shares of the Company or 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 (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") 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]	916,488,000	28.35%
Wu Guolin[4]	Beneficial Owner	1,872,000	0.06%
Li Huifang[5]	Beneficial Owner	504,000	0.02%
Shi Lianghua[6]	Beneficial Owner	1,648,000	0.05%
Xie Xiangdong[7]	Beneficial Owner	544,000	0.02%
Li Qing[8]	Beneficial Owner	1,872,000	0.06%

Notes:

(1) All interests stated are long positions.

(2) As of 30 June 2019, the Company had 3,232,663,999 issued ordinary 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 916,488,000 Shares held by Yupei International Investment Management Co., Ltd.

(4) Mr. Wu Guolin is interested in 1,872,000 options granted to him under the pre-IPO share option scheme of the Company, representing 1,872,000 underlying Shares.

(5) Ms. Li Huifang is interested in 504,000 options granted to her under the pre-IPO share option scheme of the Company, representing 504,000 underlying Shares.

(6) Ms. Shi Lianghua is interested in 1,648,000 options granted to her under the pre-IPO share option scheme of the Company, representing 1,648,000 underlying Shares.

(7) Mr. Xie Xiangdong is interested in 544,000 options granted to him under the pre-IPO share option scheme of the Company, representing 544,000 underlying Shares.

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

(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 30 June 2019, 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 30 June 2019, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of shareholding[3]
Lee International Investment Management Co., Ltd	Interest of controlled corporation[4]	916,488,000[1]	28.35%
Yupei International Investment Management Co., Ltd[4]	Beneficial owner	916,488,000[1]	28.35%
Ma Xiaocui	Interest of spouse[5]	916,488,000[1]	28.35%
RRJ Capital Master Fund II, L.P.	Interest of controlled corporation[6]	937,772,498[1]	29.01%
		208,749,000[2]	6.46%
Warburg Pincus & Co.	Interest of controlled corporation[7]	443,148,000[1]	13.71%
WP X Investment VI Ltd.	Interest of controlled corporation[7]	443,148,000[1]	13.71%
ESR Cayman Limited[7]	Beneficial owner; Interest of controlled corporation[7]	443,148,000[1]	13.71%
ESR HK Management Limited[7]	Beneficial owner	390,151,000[1]	12.07%
劉強東	Beneficiary of a trust (other than a discretionary interest)[8]	321,068,999[1]	9.93%
Max Smart Limited	Interest of controlled corporation[8]	321,068,999[1]	9.93%
JD.com, Inc.	Interest of controlled corporation[8]	321,068,999[1]	9.93%
Jingdong Logistics Group Corporation[8]	Beneficial owner	321,068,999[1]	9.93%
Sino-Ocean Group Holding Limited	Interest of controlled corporation[9]	287,741,000[1]	8.90%

Notes:

(1) Interests in long positions.

(2) Interests in short position.

(3) As at 30 June 2019, the Company had 3,232,663,999 issued ordinary Shares.

(4) 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 in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

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

(6) RRJ Capital Master Fund II, L.P. holds the entire issued share capital of Berkeley Asset Holding Ltd, which holds 740,173,000 Shares and 184,639,498 Shares underlying the Company's convertible bonds listed on the Stock Exchange in long position and 208,749,000 Shares underlying the Company's unlisted physically settled derivatives in short position. 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 in long position. Accordingly, RRJ Capital Master Fund II, L.P. is deemed to be interested in the 740,173,000 Shares and 184,639,498 underlying Shares in long position and 208,749,000 underlying Shares in short position 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 in long position held by Sherlock Asset Holding Ltd.

(7) ESR Cayman Limited holds the entire issued share capital of ESR HK Management Limited, which holds 390,151,000 Shares. ESR Cayman Limited holds 52,997,000 Shares. As a result, ESR Cayman Limited is a beneficial owner as to 52,997,000 Shares and is deemed to be interested in 390,151,000 Shares 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.

(8) 劉強東 (Mr. Richard Qiangdong Liu) controls 100% of issued share capital of Max Smart Limited, which in turn controls 72.63% of issued share capital 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 held by Jingdong Logistics Group Corporation.

(9) Sino-Ocean Group Holding Limited is deemed to be interested in the 287,741,000 Shares 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 30 June 2019, the Directors or chief executive are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 conditionally adopted by the board of directors of the Company (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 Company's listing and development, and to motivate, retain and attract outstanding personnel who will help promote the Company's growth. Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company.

As of 30 June 2019, 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 30 June 2019) have been granted by the Company under the Pre-IPO Share Option Scheme. No further options have been granted under the Pre-IPO Share Option Scheme after the listing of the Company on 15 July 2016 (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 the satisfactory performance of certain obligations of the grantees, the options granted to each of the grantees (the "**Pre-IPO Options**") shall be vested in accordance with the vesting schedule as follows:

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

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

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

Each option granted under the Pre-IPO Share Option Scheme is valid for five years from the grant date. During the six months ended 30 June 2019, Pre-IPO Options representing 962,000 Shares have been exercised by the holders, Pre-IPO Options representing 1,062,400 Shares have lapsed, and no Pre-IPO Options have been cancelled. The weighted average closing price of the Shares immediately before the dates on which the Pre-IPO Options were exercised is HK$2.85.

Details of the outstanding options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2019 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(Note)	Number of Shares represented by the outstanding share options as at 1 January 2019	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of Shares represented by the outstanding share options as at 30 June 2019
Directors								
Pan Naiyue *(resigned as an executive director and chief executive officer effective from 26 April 2019)*	21 March 2016	1.625	From 15 July 2017 to 21 March 2021	633,600	(377,000)	–	–	**256,600**
	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	(377,000)	–	(844,800)	**890,200**
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	(200,000)	–	–	**11,200**
	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	(200,000)	–	–	**504,000**
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**
Xie Xiangdong *(appointed as an executive director effective from 26 April 2019)*	21 March 2016	1.625	From 15 July 2017 to 21 March 2021	163,200	–	–	–	**163,200**
	21 March 2016	1.625	From 15 July 2018 to 21 March 2021	163,200	–	–	–	**163,200**
	21 March 2016	1.625	From 15 July 2019 to 21 March 2021	217,600	–	–	–	**217,600**
				544,000	–	–	–	**544,000**

Name or category of grantee	Date of grant of share options	Exercise price of share options (HK$ per share)	Exercise period of share options(Note)	Number of Shares represented by the outstanding share options as at 1 January 2019	Exercised during the period	Cancelled during the period	Lapsed during the period	**Number of Shares represented by the outstanding share options as at 30 June 2019**
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**
				8,752,000	(577,000)	–	(844,800)	**7,330,200**
Members of senior management & other employees of the Group								
In aggregate	21 March 2016	1.625	From 15 July 2017 to 21 March 2021	163,400	(200)	–	–	**163,200**
	21 March 2016	1.625	From 15 July 2018 to 21 March 2021	548,800	(384,800)	–	–	**164,000**
	21 March 2016	1.625	From 15 July 2019 to 21 March 2021	1,216,000	–	–	(217,600)	**998,400**
	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**
				2,344,200	(385,000)	–	(217,600)	**1,741,600**
Total				11,096,200	(962,000)	–	(1,062,400)	**9,071,800**

Note:

Such Pre-IPO Options are subject to lapse and/or expiry on an earlier date in accordance with the rules of the Pre-IPO Share Option Scheme upon a change in status of employment or cessation of employment.

ISSUE OF EQUITY SECURITIES DURING THE INTERIM PERIOD

As disclosed in the Company's announcement dated 23 May 2019, the Company entered into a subscription agreement (the "**Subscription Agreement**") with certain subsidiaries of the Company (acting as guarantors) and several investment banks (acting as managers of the bond offering) on 22 May 2019. Pursuant to the Subscription Agreement, upon completion of the subscription on 26 June 2019, the Company issued convertible bonds with an aggregate principal amount of HK$1,109,000,000 with coupon rate of 6.95% per annum, payable semi-annually in arrear and maturity in June 2024. The convertible bonds were issued at 100% of the principal amount and are redeemable and convertible into ordinary shares of the Company at an initial conversion price of HK$3.19 per Share, representing a premium of 10.0% over the closing price of the Shares at HK$2.90 as quoted on the Stock Exchange on the date of the Subscription Agreement. Both the Company and the bondholders have the option to redeem the bonds under certain circumstances as further described in the announcement dated 23 May 2019 and the circular of the Company dated 10 June 2019. The convertible bonds have been issued to more than six placees and except for Berkeley Asset Holding Ltd which is a subsidiary of RRJ Capital Master Fund II, L.P., a substantial shareholder of the Company, all placees are independent third parties. The convertible bonds became listed on the Stock Exchange on 27 June 2019.

A portion of the proceeds from the issuance of the convertible bonds have been used to repay the principal and interests of a loan in the principal amount of US$100,000,000 and the interests for the existing US dollar senior notes at a coupon rate of 8% due 2020. The remaining proceeds will be used to repay the interests of the US dollar senior notes and the principal of other offshore loans. For further details, please refer to the announcements of the Company dated 23 May 2019, 28 May 2019 and 26 June 2019.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company repurchased 13,576,000 shares on the Stock Exchange at an aggregate consideration of HK$29,031,280 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 8 June 2018. Details of the repurchases are summarised as follows:

Date of repurchase	Number of Shares purchased on the Stock Exchange	Price paid per Share Highest HK$	Lowest HK$	Aggregate consideration paid HK$
17 January 2019	8,325,000	2.35	1.93	18,316,860
18 January 2019	4,160,000	2.14	1.95	8,424,280
24 January 2019	482,000	2.10	2.07	1,003,960
25 January 2019	609,000	2.15	2.07	1,286,180

The repurchased shares were subsequently cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders as a whole by enhancing the net value of the Company and its assets and earnings per share.

Except as disclosed above, there was no purchase, sale or redemption of any of the listed securities of the Company by the Company or any of its subsidiaries during the Reporting Period.

PROPOSED EXCHANGE OFFER

On 5 September 2019, the Company launched an exchange offer to holders of the Company's outstanding US$300,000,000 8.0% Senior Notes due 2020 (the "**2020 Notes**"). The consideration of exchange will be U.S. dollar denominated senior notes due 2021 with a minimum coupon rate of 8.75% and accrued and unpaid interest on the 2020 Notes. The completion of the exchange offer is subject to the fulfillment or waiver of a number of conditions, and there can be no assurance that the exchange offer will be completed. For further details, please refer to the announcements of the Company dated 5 September 2019 and 9 September 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2019, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules, except for a deviation from code provision A.2.1 of the Code which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

As disclosed in the Company's announcement dated 26 April 2019, Mr. Pan Naiyue has tendered his resignation as an executive director of the Company and as the chief executive officer of the Group. Mr. Li Shifa ("**Mr. Li**") has been appointed as the chief executive officer of the Group with effect from 26 April 2019.

Accordingly, Mr. Li is currently the chairman of the Board, the chief executive officer and the president of the Group. 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, chief executive officer and president in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently comprises seven executive directors (including Mr. Li), 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 Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

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 during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. The principal duties of the Audit Committee include the review of the Group's financial controls, risk management and internal control systems, and financial and accounting policies and practices. As of the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Fung Ching Simon, Mr. Guo Jingbin and Mr. Leung Chi Ching Frederick. Mr. Fung Ching Simon is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim financial results of the Group for the six months ended 30 June 2019.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Set out below are the changes in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

— With effect from 26 April 2019, Mr. Pan Naiyue has resigned as an executive Director of the Company and the chief executive officer of the Group, and Mr. Li Shifa has been appointed as the chief executive officer of the Group and Mr. Xie Xiangdong has been appointed as an executive Director of the Company.

Report on Review of Interim Financial Information

羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 29 to 82, which comprises the interim condensed consolidated balance sheet of China Logistics Property Holdings Co., Ltd (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2019

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Condensed Consolidated Balance Sheet

	Note	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**120,479**	128,232
Investment properties	7	**17,586,000**	17,039,000
Intangible assets	7	**643**	653
Right-of-use assets	3, 7	**291,050**	—
Investments accounted for using the equity method	8	**784,064**	550,556
Financial assets at fair value through profit or loss ("FVPL")	11	**92,364**	58,337
Long-term trade receivables		**10,333**	13,933
Other long-term prepayments	9	**408,286**	354,955
Restricted cash	12	**312,000**	312,000
		19,605,219	18,457,666
Current assets			
Trade and other receivables	10(a)	**189,375**	74,485
Prepayments	10(b)	**237,416**	188,196
Financial assets at FVPL	11	**352,338**	289,176
Cash and cash equivalents	12	**1,798,796**	2,000,429
Restricted cash	12	**22,800**	91,874
		2,600,725	2,644,160
Assets classified as held for sale		**—**	482,839
		2,600,725	3,126,999
Total assets		**22,205,944**	21,584,665

Condensed Consolidated Balance Sheet

	Note	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and share premium	13(b)	**6,437,775**	6,460,307
Other reserves	14	**172,898**	174,774
Retained earnings		**4,145,583**	3,980,187
		10,756,256	10,615,268
Non-controlling interests		**820,703**	798,621
Total equity		**11,576,959**	11,413,889
LIABILITIES			
Non-current liabilities			
Borrowings	16	**6,328,406**	5,673,455
Long-term payables		**92,477**	89,029
Deferred income tax liabilities	17	**1,835,999**	1,759,911
Lease liabilities	26(g)	**313,266**	—
Convertible bonds	18	**975,034**	—
		9,545,182	7,522,395
Current liabilities			
Trade and other payables	19	**324,643**	385,630
Current income tax liabilities		**38,176**	22,395
Borrowings	16	**691,285**	1,993,944
Lease liabilities	26(g)	**29,699**	—
		1,083,803	2,401,969
Liabilities directly associated with assets classified as held for sale		**—**	246,412
		1,083,803	2,648,381
Total liabilities		**10,628,985**	10,170,776
Total equity and liabilities		**22,205,944**	21,584,665

The notes on pages 36 to 82 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2019	2018
		Unaudited	Unaudited
	Note	**RMB'000**	RMB'000
Revenue	6	**351,122**	274,295
Cost of sales	20	**(76,591)**	(75,042)
Gross profit		**274,531**	199,253
Selling and marketing expenses	20	**(14,154)**	(13,709)
Administrative expenses	20	**(48,548)**	(52,956)
Net impairment losses on financial assets		**(219)**	—
Other income		**14,737**	3,189
Fair value gains on investment properties — net	7	**275,015**	493,107
Other gains/(losses) — net	21	**3,584**	(2,693)
Operating profit		**504,946**	626,191
Finance income	22	**10,739**	5,928
Finance costs	22	**(262,046)**	(228,478)
Finance expenses — net	22	**(251,307)**	(222,550)
Share of profit of investments accounted for using the equity method	8	**85,265**	12,282
Profit before income tax		**338,904**	415,923
Income tax expense	23	**(124,995)**	(127,190)
Profit for the period		**213,909**	288,733
Profit for the period attributable to:			
Owners of the Company		**191,827**	288,733
Non-controlling interests		**22,082**	—
		213,909	288,733
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period		**213,909**	288,733

Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2019 Unaudited RMB'000	2018 Unaudited RMB'000
Total comprehensive income for the period attributable to:			
Owners of the Company		**191,827**	288,733
Non-controlling interests		**22,082**	—
		213,909	288,733
Earnings per share for profit attributable to owners of the Company (expressed in RMB)			
— Basic	24	**0.0593**	0.0959
— Diluted	24	**0.0591**	0.0958

The notes on pages 36 to 82 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Company						
	Note	Share capital and share premium Unaudited RMB'000	Treasury shares Unaudited RMB'000	Other reserves Unaudited RMB'000	Retained earnings Unaudited RMB'000	Total Unaudited RMB'000	Non-controlling interests Unaudited RMB'000	Total equity Unaudited RMB'000
Balance at 31 December 2018		6,460,307	–	174,774	3,980,187	10,615,268	798,621	11,413,889
Change in accounting policy — IFRS 16	3	–	–	–	(26,431)	(26,431)	–	(26,431)
Balance at 1 January 2019, restated		6,460,307	–	174,774	3,953,756	10,588,837	798,621	11,387,458
Comprehensive income								
Profit for the period		–	–	–	191,827	191,827	22,082	213,909
Total comprehensive income		–	–	–	191,827	191,827	22,082	213,909
Transactions with equity owners in its capacity as equity owners								
Repurchase of shares	13	–	(25,183)	–	–	(25,183)	–	(25,183)
Cancellation of shares	13	(25,183)	25,183	–	–	–	–	–
Employees share option scheme								
— Value of employee services	14	–	–	(578)	–	(578)	–	(578)
— Exercise of share options	13, 14	2,651	–	(1,298)	–	1,353	–	1,353
Total transactions with equity owners in their capacity as equity owners		(22,532)	–	(1,876)	–	(24,408)	–	(24,408)
Balance at 30 June 2019		6,437,775	–	172,898	4,145,583	10,756,256	820,703	11,576,959

Condensed Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Company					
	Note	Share capital and share premium Unaudited RMB'000	Other reserves Unaudited RMB'000	Retained earnings Unaudited RMB'000	Total Unaudited RMB'000	Non-controlling interests Unaudited RMB'000	Total equity Unaudited 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		—	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 for the period		—	—	288,733	288,733	—	288,733
Total comprehensive income		—	—	288,733	288,733	—	288,733
Transactions with equity owners in its capacity as equity owners							
Employees share option scheme							
— Issue of ordinary shares	13	727,510	—	—	727,510	—	727,510
— Value of employee services	14	—	821	—	821	—	821
— Exercise of share options	13, 14	4,862	(3,877)	—	985	—	985
Total transactions with equity owners in their capacity as equity owners		732,372	(3,056)	—	729,316	—	729,316
Balance at 30 June 2018		6,456,984	172,015	3,714,458	10,343,457	—	10,343,457

The notes on pages 36 to 82 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2019 Unaudited RMB'000	2018 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		**169,355**	179,932
Interest received		**10,533**	5,870
Income tax paid		**(6,340)**	(4,847)
Net cash generated from operating activities		**173,548**	180,955
Cash flows used in investing activities			
Acquisition of property, plant and equipment		**(1,736)**	(20,438)
Acquisition of financial assets at FVPL	11	**(90,724)**	—
Addition of investment properties		**(725,976)**	(1,144,270)
Addition of intangible assets		**(85)**	(482)
Payment of withholding tax of disposal of subsidiaries		**(5,312)**	(40,645)
Proceeds from disposal of subsidiaries	21	**291,339**	—
Receipt of government grants		**10,000**	1,600
Increase in amounts due from related parties		**(13,883)**	—
Net cash used in investing activities		**(536,377)**	(1,204,235)
Cash flows from financing activities			
Decrease/(Increase) in restricted cash		**69,074**	(178,567)
Proceeds from issuance of ordinary shares		**—**	727,510
Proceeds from exercise of share options		**1,353**	985
Proceeds from borrowings		**1,442,045**	1,162,190
Repayments of borrowings		**(1,976,787)**	(1,101,207)
Payment of interest expenses		**(311,981)**	(246,265)
Payment of commission fees and other expenses related to issuance of senior notes		**—**	(18,358)
Principle element of lease payments		**(9,167)**	—
Proceeds from issurance of convertible bonds	18	**975,034**	—
Repurchase of ordinary shares	13(b)	**(25,183)**	—
Net cash generated from financing activities		**164,388**	346,288
Net decrease in cash and cash equivalents		**(198,441)**	(676,992)
Cash and cash equivalents at the beginning of the period	12	**2,000,429**	1,820,537
Cash classified as assets held for sale		**11,900**	—
Exchange (losses)/gains on cash and cash equivalents		**(15,092)**	18,838
Cash and cash equivalents at end of the period		**1,798,796**	1,162,383

The notes on pages 36 to 82 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General information

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 logistics 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.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Company's Board of Directors ("Board") on 26 August 2019.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018, as described in the annual consolidated financial statements.

(a) Income tax

Income tax expense is recognized based on management's estimation of the weighted average effective annual income tax rate expected for the full financial year.

(b) Convertible bonds

The convertible bonds issued by the Company include the following options:

- the bondholders have an option to convert into a variable number of equity instruments, other than into a fixed number of equity instruments at a fixed conversion price;
- the bondholders have redemption option upon occurrence of certain events (i.e. an option to require the Group to redeem in cash);
- the Company has redemption option upon occurrence of certain events.

The convertible bonds are regarded as financial instruments consisting of a liability and a derivative component. The convertible bonds including the embedded derivative as a whole are designated as financial liabilities at FVPL. The entire convertible bonds are initially and subsequently measured at fair value, with changes in fair value recognized in the condensed consolidated statement of comprehensive income in the year in which they arise.

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

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

3 Significant accounting policies (continued)

(c) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting IFRS 16 are disclosed below. Other newly adopted standards or amendments listed below 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 periods.

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	

(i) IFRS 16 "Leases"

The Group leases office buildings. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the periods of the leases.

3 Significant accounting policies (continued)

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

(i) IFRS 16 "Leases" (continued)

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group leases an office building from its associate — Shanghai Hongyu Logistics Co., Ltd. ("Shanghai Hongyu"). Extension option is included in the lease contract which is exercisable only by the Group and not by Shanghai Hongyu, to extend the lease term at market rents. The Group is reasonably certain to exercise that option for an extension on the lease term.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have been included in the lease liabilities because it is reasonably certain that the leases will be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

3 Significant accounting policies (continued)

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

(i) IFRS 16 "Leases" (continued)

The Group has adopted the standard from 1 January 2019. The Group applied the cumulative catch-up approach and did not restate comparative amounts for the year prior to first adoption. The method recognizes the cumulative effect of applying the new standard as an adjustment to the opening balance of equity on adoption which is the difference between the amount of right-of-use assets and the lease liability. The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases . These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.73%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	534
Lease liabilities recognized on extension option estimation (discounted using the lessee's incremental borrowing rate at the date of initial application)	342,924
Less:	
Short-term leases recognized on a straight-line basis as expense	(534)
Lease liabilities recognized as at 1 January 2019	**342,924**
Of which are:	
Current lease liabilities	15,531
Non-current lease liabilities	327,393
	342,924

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3 Significant accounting policies (continued)

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

(i) IFRS 16 "Leases" (continued)

The recognized right-of-use assets relate to the following types of assets:

	30 June 2019 Unaudited RMB'000	1 January 2019 Unaudited RMB'000
Building	291,050	307,681
Total right-of-use assets (Note 7, 26(c))	**291,050**	307,681

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets — increase by RMB307,681,332
- Deferred tax assets — increase by RMB8,810,580
- Lease liabilities (current portion) — increase by RMB15,530,567
- Lease liabilities (non-current portion) — increase by RMB327,393,083

The net impact on retained earnings on 1 January 2019 was a decrease of RMB26,431,739.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

3 Significant accounting policies (continued)

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

(i) IFRS 16 "Leases" (continued)

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease.*

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

The following new standards, new amendments and interpretations to existing standards have been issued and are relevant to the Group's operations but 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
IAS 1 and IAS 8 (Amendments)	Definition of material	1 January 2020
IFRS 3 (Amendments)	Definition of a business	1 January 2020
Revised Conceptual Framework	Revised conceptual framework for financial reporting	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

4 Estimates

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except for the below estimates and judgements:

- the estimates and judgements applied for determining the lease term under the adoption of IFRS 16 as disclosed in Note 3; and

- the estimates and judgements applied for determining the fair values of convertible bonds as disclosed in Note 18.

5 Financial risk management and financial instruments

5.1 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, cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

There have been no changes in the risk management policies since year 2018.

5.2 Liquidity risk

Compared to 2018 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except for those for the lease liabilities and convertible bonds.

5 Financial risk management and financial instruments (continued)

5.2 Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. 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 30 June 2019 (Unaudited)					
Borrowings and interest	**1,034,601**	**3,525,555**	**1,882,838**	**2,346,136**	**8,789,130**
Trade and other payables (excluding non-financial liabilities)	**242,130**	**—**	**—**	**—**	**242,130**
Long-term payables	**—**	**46,029**	**42,584**	**3,864**	**92,477**
Lease liabilities	**33,285**	**52,643**	**157,928**	**197,410**	**441,266**
Convertible bonds (a)	**67,800**	**67,800**	**1,178,988**	**—**	**1,314,588**
	1,377,816	**3,692,027**	**3,262,338**	**2,547,410**	**10,879,591**
At 31 December 2018 (Audited)					
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

(a) As disclosed in Note 18, the Company issued HK$ denominated convertible bonds (the "2019 Convertible Bonds") in the principal amount of HK1,109,000,000 (approximately, RMB975,034,000). The 2019 Convertible Bonds will mature on 26 June 2024, unless earlier redeemed, converted or purchased and cancelled in accordance with the terms thereof. The 2019 Convertible Bonds bear interest at a rate of 6.95% per annum payable semi-annually in arrears on 26 June and 26 December of each year, commencing on 26 December 2019. The maturity analysis in the above table assumes no conversion and redemption before the maturity date.

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value as at 30 June 2019, by valuation method. The different levels have been defined 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 and liabilities that are measured at fair value at 30 June 2019 and at 31 December 2018:

As at 30 June 2019	Level 1 Unaudited RMB'000	Level 2 Unaudited RMB'000	Level 3 Unaudited RMB'000	Total Unaudited RMB'000
Assets				
Financial assets at FVPL	**—**	**—**	**444,702**	**444,702**
Investment properties	**—**	**—**	**17,586,000**	**17,586,000**
	—	**—**	**18,030,702**	**18,030,702**
Liabilities				
Convertible bonds	**—**	**—**	**975,034**	**975,034**

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

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

5 Financial risk management and financial instruments (continued)

5.4 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.

Convertible bonds

See Note 18 for disclosures of the convertible bonds that are measured at fair value.

Financial assets at FVPL

See Note 11 for disclosure of the financial assets that are measured at fair value.

5.5 Fair value of financial assets and liabilities measured at amortized cost

The fair value of current, non-current borrowings and lease liabilities 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 borrowing with similar credit risk and are within level 3 of the fair value hierarchy.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Long-term trade receivables
- Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Long-term payables
- Trade and other payables

6 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 (the "Project Companies") established in different locations in the PRC engages in business activities from which it earns revenues and incurs expenses, and have discrete financial information. Therefore these Project Companies are identified as different operating segments of the Group. Nevertheless, these Project Companies have been aggregated into one operating segment, taking into consideration the below factors: the Project Companies have similar economic characteristics and regulatory environment, with all revenue and operating profits from the same business of leasing logistics 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 operating segment.

The Group derives its 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 represents 29.56% of the Group's total revenue for the six months ended 30 June 2019 (30 June 2018: customer A represented 36.15%).

The revenue of the Group for the six months ended 30 June 2019 and 2018 are set out as follows:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Rental income	**268,969**	250,723
Revenue from providing management services	**82,153**	23,572
	351,122	274,295

7 Property, plant and equipment, investment properties, intangible assets and right-of-use assets

	Property, plant and equipment Unaudited RMB'000	Investment properties Unaudited RMB'000	Intangible assets Unaudited RMB'000	Right-of-use assets Unaudited RMB'000
Six months ended 30 June 2019				
Net book value or valuation				
Opening amount as at 1 January 2019	**128,232**	**17,039,000**	**653**	**307,681**
Additions	**136**	**615,459**	**73**	**—**
Disposal of subsidiaries	**—**	**(343,474)**	**—**	**—**
Other disposals	**(9)**	**—**	**—**	**—**
Fair value gains on investment properties	**—**	**275,015**	**—**	**—**
Depreciation and amortization (Note 20)	**(7,880)**	**—**	**(83)**	**(16,631)**
Closing amount as at 30 June 2019	**120,479**	**17,586,000**	**643**	**291,050**
Six months ended 30 June 2018				
Net book value or valuation				
Opening amount as at 1 January 2018	132,661	14,792,000	79	—
Additions	11,558	1,102,893	482	—
Fair value gains on investment properties	—	493,107	—	—
Depreciation and amortization (Note 20)	(3,785)	—	(38)	—
Impairment losses (Note 20)	(6,966)	—	—	—
Closing amount as at 30 June 2018	133,468	16,388,000	523	—

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 30 June 2019 and 31 December 2018. The revaluation gains or losses are included in "Fair value gains on investment properties — net" in the condensed consolidated statement of comprehensive income.

7 Property, plant and equipment, investment properties, intangible assets and right-of-use assets (continued)

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

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

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

	Fair value measurements at 30 June 2019 using		
Description	Quoted prices in active markets for identical assets (Level 1) Unaudited RMB'000	Significant other Observable inputs (Level 2) Unaudited RMB'000	Significant Unobservable inputs (Level 3) Unaudited RMB'000
Recurring fair value measurements			
Investment properties	–	–	17,586,000

7 Property, plant and equipment, investment properties, intangible assets and right-of-use assets (continued)

Description	Fair value measurements at 31 December 2018 using Quoted prices in active markets for identical assets (Level 1) Audited RMB'000	Significant other Observable inputs (Level 2) Audited RMB'000	Significant Unobservable inputs (Level 3) Audited RMB'000
Recurring fair value measurements			
Investment properties	—	—	17,039,000

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 period.

Fair value measurements using significant unobservable inputs (Level 3)

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Opening balance	**17,039,000**	14,792,000
Additions	**615,459**	1,102,893
Disposal	**(343,474)**	—
Net gains from fair value adjustment	**275,015**	493,107
Closing balance	**17,586,000**	16,388,000

Valuation processes of the Group

The fair value of the Group's investment properties at 30 June 2019 and 2018 were valued 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.

7 Property, plant and equipment, investment properties, intangible assets and right-of-use assets (continued)

Valuation processes of the Group (continued)

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to Senior Vice President of finance department. Discussions of valuation processes and results are held between Senior Vice President of finance department, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2019 and 2018, the fair values of the properties have been derived by Colliers.

At each interim period and 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.

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 input 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.

7 Property, plant and equipment, investment properties, intangible assets and right-of-use assets (continued)

Valuation techniques (continued)

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 major changes to the valuation techniques during the period.

8 Investments accounted for using the equity method

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Beginning of the period	**550,556**	446,229
Investment cost	**148,243**	—
Share of post-tax profits of associates	**85,265**	12,282
End of the period	**784,064**	458,511

Investments in associates

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

Nature of investments in associates as at 30 June 2019:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Shanghai Hongyu (a)	Shanghai/PRC	41%	Associate	Equity
Yupei Logistics Property Management 10 Co., Ltd ("Management 10") (b)	BVI	30%	Associate	Equity
Yupei Logistics Property Management 15 Co., Ltd ("Management 15") (c)	BVI	30%	Associate	Equity

(a) Shanghai Hongyu was jointly established by Yupei Anhui Logistics Property Development Co., Ltd., a 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 leasing and provision of related management services.

(b) As disclosed in Note 21, the Group sold 70% shares in Management 10 in June 2019. After the disposal transaction, Management 10 became an associate of the Group. The major operation of Management 10 is leasing and provision of related management services through its 100% holding subsidiary, Kunshan Yuzai Warehousing Co., Ltd. ("Kunshan Yuzai").

(c) As disclosed in Note 21, the Group sold 70% shares in Management 15 in June 2019. After the disposal transaction, Management 15 became an associate of the Group. The major operation of Management 15 is leasing and provision of related management services through its 100% holding subsidiary, Nanjing Yupei Warehousing Co., Ltd. ("Nanjing Yupei").

8 Investments accounted for using the equity method (continued)

Investments in associates (continued)

There are no contingent liabilities relating to the Group's interest in its associates as at 30 June 2019 and 31 December 2018.

The assets, liabilities and results of the associates are shown below:

	Six months ended 30 June 2019	Period from disposal date to 30 June 2019	
	Shanghai Hongyu	Management 10	Management 15
	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000
Assets	2,640,775	610,445	431,369
Liabilities	(1,144,704)	(329,163)	(143,735)
Net profit for the period	153,252	58,308	16,465
Percentage held	41%	30%	30%

9 Other long-term prepayments

As at 30 June 2019 and 31 December 2018, the balance of other long-term prepayments is as follows:

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	RMB'000
Prepayment for construction costs	387,623	321,494
Long-term prepaid expenses	20,663	33,461
	408,286	354,955

10 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Trade receivables (i)		
Rental and management service receivables from third parties	**23,998**	4,733
Rental and management service receivables from related parties (Note 26(g))	**14,369**	1,692
	38,367	6,425
Other receivables		
Other receivables for land use rights and other deposits	**52,604**	59,864
Other receivables for unpaid consideration (Note 21)	**35,162**	—
Other receivables due from other third parties	**20,592**	12,058
Other receivables due from related parties (Note 26(g))	**48,731**	2,000
	157,089	73,922
Less: Loss allowance for trade receivables	**(251)**	(32)
Loss allowance for other receivables	**(5,830)**	(5,830)
	(6,081)	(5,862)
	189,375	74,485

(i) As at 30 June 2019, trade receivables of RMB4,893,000 (31 December 2018: RMB1,140,000) and RMB182,000 (31 December 2018: Nil) were pledged as collaterals for the bank borrowings and asset-backed medium-term notes, respectively (Note 16).

10 Trade and other receivables and prepayments (continued)

(a) Trade and other receivables (continued)

As at 30 June 2019 and 31 December 2018, the fair value of the current portion of trade and other receivables of the Group approximated their carrying amounts. As at 30 June 2019 and 31 December 2018, all carrying amounts of trade and other receivables were denominated in RMB.

As at 30 June 2019 and 31 December 2018, the aging analysis of the trade receivables based on the dates that the Group was entitled to collect the rental income, was as follows:

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	RMB'000
Up to 30 days	**25,221**	5,775
31 to 90 days	**8,256**	430
91 to 365 days	**4,838**	220
Over 365 days	**52**	—
	38,367	6,425

(b) Prepayments

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	RMB'000
Prepaid taxes other than income tax	**224,352**	178,245
Prepayments for utilities	**8,041**	9,265
Prepayments for financing cost of bank borrowings	**5,000**	—
Prepaid income taxes	**23**	686
	237,416	188,196

11 Financial Assets at FVPL

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	RMB'000
Current	**352,338**	289,176
Non-current	**92,364**	58,337
	444,702	347,513

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
At beginning of the period	**347,513**	325,478
Additions	**90,724**	—
Net fair value changes recognized in profit or loss (Note 21)	**6,465**	6,848
At end of the period	**444,702**	332,326

As at 30 June 2019, financial assets at FVPL are HK$ denominated wealth management product with principal amount of HK$115,000,000 and US$ denominated wealth management product with principal amount of US$48,500,000. As at 30 June 2019, the maturity dates of HK$10,000,000 and US$48,500,000 are within 1 year while the maturity date of US$105,000,000 is beyond 1 year. 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:

Description	Fair value at 30 June 2019 Unaudited RMB'000	Valuation technique	Unobservable inputs	Projected yield rate
Financial assets at FVPL	**444,702**	DCF	Expected yield rate	2%–4%

12 Cash and cash equivalents and restricted cash

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	RMB'000
Cash at bank and on hand	**2,133,596**	2,404,303
Less: Restricted cash		
— Current (a)	**(22,800)**	(91,874)
— Non-current (b)	**(312,000)**	(312,000)
Cash and cash equivalents	**1,798,796**	2,000,429

(a) As at 30 June 2019, restricted deposits of RMB22,800,000 (31 December 2018: RMB91,432,000) were held at banks as collateral for certain short-term and current portion of long-term bank borrowings (Note 16).

As at 31 December 2018, restricted deposits of RMB442,000 were held at bank for issuing letter of guarantee, which were subsequently released on March 2019.

(b) As at 30 June 2019, restricted deposits of RMB312,000,000 (31 December 2018: RMB312,000,000) were held at banks as collateral for certain long-term bank borrowings (Note 16).

13 Share capital and share premium, and treasury shares

(a) Authorized shares

	Number of authorized shares Unaudited
At 1 January 2019 and 30 June 2019	**8,000,000,000**
At 1 January 2018 and 30 June 2018	8,000,000,000

13 Share capital and share premium, and treasury shares (continued)

(b) Issued shares

	Number of issued shares Unaudited	Ordinary shares Unaudited RMB'000	Treasury shares Unaudited RMB'000	Share premium Unaudited RMB'000	Total Unaudited RMB'000
At 1 January 2019	**3,245,277,999**	**1,323**	**—**	**6,458,984**	**6,460,307**
Employee share option scheme — Exercise of share options (Note 15)	**962,000**	**—**	**—**	**2,651**	**2,651**
Repurchase of shares (i)	**—**	**—**	**(25,183)**	**—**	**(25,183)**
Cancellation of shares (i)	**(13,576,000)**	**(6)**	**25,183**	**(25,177)**	**—**
At 30 June 2019	**3,232,663,999**	**1,317**	**—**	**6,436,458**	**6,437,775**
At 1 January 2018	2,921,726,000	1,196	—	5,723,416	5,724,612
Issue of ordinary shares (ii)	321,068,999	127	—	727,383	727,510
Employee share option scheme — Exercise of share options (Note 15)	750,200	—	—	4,862	4,862
At 30 June 2018	3,243,545,199	1,323	—	6,455,661	6,456,984

(i) 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. The total amount paid to repurchase the shares was RMB25,183,000 and has been deducted from shareholders' equity. The Company cancelled the shares on 8 February 2019. The amount of share capital and share premium was deducted accordingly.

(ii) 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 Hong Kong Dollar ("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).

14 Other reserves

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
		Restated
	RMB'000	RMB'000
Balance at 31 December	**174,774**	164,578
Change in accounting policy — IFRS 9	**—**	10,493
Balance at 1 January	**174,774**	175,071
Employee share option scheme		
— Value of employee services	**(578)**	821
— Exercise of share options	**(1,298)**	(3,877)
Balance at 30 June	**172,898**	172,015

15 Share-based payments

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

	For the six months period ended 30 June			
	2019		2018	
	Average exercise price in HK$ per share	**Number of options**	Average exercise price in HK$ per share	Number of options
	Unaudited	**Unaudited**	Unaudited	Unaudited
As at 1 January	**1.625**	**11,096,200**	1.625	15,443,200
Exercised (Note 13)	**1.625**	**(962,000)**	1.625	(750,200)
Forfeited	**1.625**	**(1,062,400)**	1.625	(1,478,400)
As at 30 June	**1.625**	**9,071,800**	1.625	13,214,600

Share options outstanding at 30 June 2019 have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price in HK$ per share	Number of options
21 March 2016	21 March 2021	1.625	6,279,800
28 March 2016	28 March 2021	1.625	2,792,000
			9,071,800

16 Borrowings

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets (a)	**3,630,380**	3,424,778
— secured by assets and equity interest of certain subsidiaries (b)	**—**	124,895
Long-term borrowings from other financial institutions		
— unsecured	**171,138**	684,839
Senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (d)	**2,729,313**	2,707,491
Asset-backed medium-term notes (“**ABN**”)		
— secured by assets (f)	**448,860**	—
	6,979,691	6,942,003
Less: Long-term bank borrowings due within one year	**(479,593)**	(583,709)
Long-term borrowings from other financial institutions due within one year	**(171,138)**	(684,839)
ABN due within one year	**(554)**	—
	6,328,406	5,673,455
Current		
Short-term bank borrowings		
— unsecured (c)	**40,000**	40,000
Short-term senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (e)	**—**	685,396
Current portion of ABN		
— secured by assets (f)	**554**	—
Current portion of long-term bank borrowings		
— secured by assets (a)	**479,593**	458,814
— secured by assets and equity interest of certain subsidiaries (b)	**—**	124,895
Current portion of long-term borrowings from other financial institutions		
— unsecured	**171,138**	684,839
	691,285	1,993,944
Total borrowings	**7,019,691**	7,667,399

16 Borrowings (continued)

(a) As at 30 June 2019, bank borrowings of RMB2,838,593,000 (31 December 2018: RMB2,614,169,000) with undrawn borrowing amounting to RMB489,300,000 (31 December 2018: RMB314,000,000) were secured by the investment properties of the Group amounting to RMB12,404,000,000 (31 December 2018: RMB11,007,000,000).

As at 30 June 2019, bank borrowings of RMB298,770,000 (2018: RMB298,920,000) were secured by restricted deposit of the Group amounting to RMB300,000,000 (2018: RMB300,000,000) (Note 12).

As at 30 June 2019, bank borrowings of RMB203,047,000 (2018: RMB209,346,000) were secured by the investment properties of the Group amounting to RMB867,000,000 (2018: RMB864,000,000), trade receivables amounting to RMB3,455,000 (2018: RMB445,000) (Note 10), and the rental income generated from the lease of the investment properties during the terms of the borrowings (2018: secured by the rental income).

As at 30 June 2019, bank borrowings of RMB289,970,000 (2018: RMB302,343,000) with undrawn borrowing amounting to RMB76,000,000 (2018: RMB76,000,000) were secured by the investment properties of the Group amounting to RMB1,553,000,000 (2018: RMB1,386,000,000), trade receivables amounting to RMB1,438,000 (2018: RMB695,000) (Note 10), the rental income generated from the lease of the investment properties during the terms of the borrowings (2018: secured by the rental income), and restricted deposits of the Group amounting to RMB34,800,000 (2018: RMB34,800,000) (Note 12).

(b) As at 31 December 2018, bank borrowings of RMB124,895,000 were secured by the Group's equity interests in certain subsidiaries and restricted deposits of the Group amounting to RMB68,632,000 (Note 12).

(c) As at 30 June 2019, bank borrowings of RMB40,000,000 (2018: RMB40,000,000) with undrawn borrowing amounting to RMB20,000,000 (2018: RMB8,000,000) were unsecured.

(d) 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 utilised the net proceeds of the issuance of the 2017 Notes for repaying existing offshore indebtedness and general corporate purposes.

16 Borrowings (continued)

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 are 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 has utilised the net proceeds of the issuance of the 2018 November Notes for repaying existing offshore indebtedness.

(e) 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 are 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. On 25 January 2019, the Company redeemed the 2018 February Notes.

(f) On 26 June 2019, the Company's subsidiary — Shanghai Yupei Group Co., Ltd ("Shanghai Yupei") issued ABN in the principal amount of RMB650,000,000, among which RMB200,000,000 were repurchased by Shanghai Yupei. The borrowers of the ABN are 2 project subsidiaries of the Group with their investment properties amounting to RMB1,440,000,000, trade receivables amounting to RMB182,000 (Note 10), as well as the rental income generated from the lease of the investment properties during the terms of ABN pledged as collaterals for the ABN. Shanghai Yupei and the Company also provided guarantees for the ABN. The ABN will mature on 24 June 2037, unless earlier redeemed in accordance with the terms thereof. The ABN bear interest from and including 24 June 2019 at a rate of 6.5% per annum, and both principal and interest are payable quarterly in arrears on 24 September, 24 December, 24 March and 24 June of each year, commencing on 24 September 2019.

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.

16 Borrowings (continued)

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	RMB'000
Floating rate:		
— expiring within 1 year	**96,000**	76,000
— expiring beyond 1 year	**489,300**	252,000
	585,300	328,000
Fixed rate:		
— expiring beyond 1 year	**—**	70,000
	585,300	398,000

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

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

17 Deferred income tax liabilities

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Balance at 31 December	**1,759,911**	1,521,506
Deferred income tax assets recognized under IFRS 16	**(8,811)**	—
Balance at 1 January	**1,751,100**	1,521,506
Charged to the condensed consolidated statement of comprehensive income (Note 23)	**97,562**	131,516
Disposal of subsidiaries	**(12,663)**	—
Balance at 30 June	**1,835,999**	1,653,022

18 Convertible bonds

	Six months ended 30 June 2019 Unaudited RMB'000
At 1 January	–
Issuance	975,034
At 30 June	975,034

On 26 June 2019 (the "Issue Date"), the Company issued the 2019 Convertible Bonds in the principal amount of HK$1,109,000,000. The 2019 Convertible Bonds are secured by guarantees and pledges provided by certain subsidiaries of the Group. The 2019 Convertible Bonds will mature on 26 June 2024 (the "Maturity Date"), unless earlier redeemed, converted or purchased and cancelled in accordance with the terms thereof. The 2019 Convertible Bonds bear interest at a rate of 6.95% per annum payable semi-annually in arrears on 26 June and 26 December of each year, commencing on 26 December 2019.

Berkeley Asset Holding Ltd ("Berkeley Asset"), a substantial shareholder of the Company and wholly-owned by RRJ Capital Master Fund II, L.P., subscribed HK$589,000,000 of principal amount of The 2019 Convertible Bonds on the Issue Date (Note 26(e)).

The key features of the 2019 Convertible Bonds are as follows:

(a) Conversion

Conversion Period

Each of the 2019 Convertible Bonds is convertible into the ordinary shares of the Company ("Shares") at the option of the bondholders at any time starting from 41 days after the Issue Date to 10 days before the Maturity Date, unless previously redeemed, repurchased and cancelled or converted (except during closed periods) ("Conversion Right").

18 Convertible bonds (continued)

(a) Conversion (continued)

Conversion Price

The price at which Shares will be issued upon exercise of a Conversion Right is initially HK$3.19 per Share (the "Conversion Price"), but will be subject to adjustment upon the occurrence of certain prescribed events namely, consolidation, subdivision, redesignation or reclassification of Shares, capitalization of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights of conversion, other offers to the shareholders under the circumstances which the Company or any of its subsidiaries issues, sells or distributes any securities in connection with which an offer pursuant to which the shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them, adjustment upon the occurrence of a "Change of Control", and other events determined by the Company that an adjustment should be made to the conversion price after consulting an independent investment bank that such adjustment would be fair and reasonable to take provided that the per Share value of such adjustment shall not exceed the per Share value of the dilution in the shareholders' interest in the Company's equity caused by such event.

Conversion Price Reset

Conversion Price shall be reset on the first and second anniversary of the Issue Date (each a "Reset Date") in the event that the 20-day average volume-weighted average price ("VWAP") prior to the Reset Date is at least 10% lower than the Conversion Price, subject to an 80% adjustment floor of the initial Conversion Price (as adjusted to reflect any adjustments which may have occurred prior to the relevant Reset Date).

(b) Redemption

(i) Redemption at the option of the Company

Redemption on Maturity Date

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each of the 2019 Convertible Bonds at 100% of its principal amount, together with accrued but unpaid interest to the Maturity Date (if any).

18 Convertible bonds (continued)

(b) Redemption (continued)

(i) Redemption at the option of the Company (continued)

Redemption for taxation reasons

The 2019 Convertible Bonds are callable anytime on giving not less than 30 nor more than 60 days' notice in whole but not in part, at 100% of the principal amount, together with accrued but unpaid interest to (but excluding) such date (if any), as a result of (i) changes relating to tax laws or regulations in the Cayman Islands or the PRC and the Company has or will become obliged to pay additional tax amounts and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it. The bondholders have the right to elect for the 2019 Convertible Bonds not to be redeemed but no additional amounts shall be payable by the Company and payment of all amounts by the Company to such bondholder in respect of such bond shall be made subject to the deduction of withholding of any taxation required to be withheld or deducted.

Company redemption

On giving not less than 30 nor more than 60 days' notice, the Company may redeem all 2019 Convertible Bonds but not in part, on the date specified in the optional redemption notice at a redemption price of 100% of the principal amount together with accrued but unpaid interest to (but excluding) such date (if any), at any time after 26 June 2022 but prior to the Maturity Date, if the closing price of the Shares for any 20 out of 30 consecutive trading days prior to the date upon which of such redemption notice was given, is at least 130% of the applicable Conversion Price then in effect.

Clean-up redemption

The Convertible Bonds are callable anytime on giving not less than 30 nor more than 60 days' notice, in whole but not in part, at 100% of the principal amount, together with accrued but unpaid interest to such date (if any), if prior to the date the relevant notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90% or more in aggregate principal amount of the Bonds originally issued.

18 Convertible bonds (continued)

(b) Redemption (continued)

(ii) Redemption at the option of the bondholders

Redemption at the option of the bondholders

A bondholder, on giving a put notice, may require the Company to redeem all or some only of such bondholder's bonds on 26 June 2022 at a redemption price of 100% of the principal amount together with accrued but unpaid interest to such date (if any).

Redemption for relevant event

A bondholder may require the Company to redeem all or some only of such bondholder's bonds at 100% of the principal amount, together with accrued but unpaid interest to such date (if any), following the occurrence of a relevant event ("Relevant Event"), as defined below: (i) when the Shares cease to be listed or admitted to trading or suspended from trading for a period equal to or exceeding 30 consecutive trading days on the HKSE or, if applicable, the alternative stock exchange; or (ii) when there is a Change of Control, as defined in the terms of the 2019 Convertible Bonds.

Redemption for voluntary delisting event

A bondholder may require the Company to redeem all but not some of such bondholder's bonds at 100% of the principal amount of the bonds plus applicable premium, together with accrued but unpaid interest to (but excluding) such date (if any), if there is a voluntary cancellation of the listing of Shares on the HKSE or applicable alternative stock exchange (i) as a result of a Person or Persons (any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof), acting together, acquiring control over the Company or its successor entity; or (ii) within six months from the date a Person or Persons, acting together, has acquired control over the Company or its successor entity.

The Group has designated the 2019 Convertible Bonds as financial liabilities at fair value through profit or loss. The 2019 Convertible Bonds are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the period in which they arise.

The valuations for the fair values of the 2019 Convertible Bonds at Issue date were carried out by an independent external valuer.

18 Convertible bonds (continued)

(b) Redemption (continued)

(ii) Redemption at the option of the bondholders (continued)

Redemption for voluntary delisting event (continued)

The valuer adopted the Black-Scholes model framework and Multi-Assets Monte Carlo Simulation to determine the fair values of the 2019 Convertible Bonds. The key inputs used in the valuation methods are listed as below:

Conversion price	HK$3.19
Stock price	HK$2.82
Stock price volatility	40.28%
VWAP	HK$2.792
VWAP volatility	36.98%
Coupon rate	6.95%
Effective interest rate	15.429%
Expected dividend yield	0.00%
Risk free rate	1.68%

In the opinion of the Company's directors, the fair values of the 2019 Convertible Bonds at 30 June 2019 approximate to their fair values at Issue Date as it is unexpected to have significant changes in the above key inputs during four days.

19 Trade and other payables

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	RMB'000
Payables for construction costs (a)	**109,023**	110,533
Interest payable	**85,962**	132,330
Prepaid rents from third parties	**21,950**	20,422
Prepaid rents from related parties (Note 26(g))	**21,338**	23,519
Deposits	**20,764**	18,928
Other taxes payable	**20,653**	19,933
Accrued operating expenses	**15,599**	21,807
Payable for commission fees and other expenses related to issuance of convertible bonds	**11,535**	—
Payables for commission fees and other expenses related to issuance of senior notes	**8,332**	10,824
Employee benefit payables	**2,973**	8,353
Rental deposits payable to related parties (Note 26(g))	**5,613**	11,767
Payables for financing cost of bank borrowings	**—**	6,500
Others	**901**	714
	324,643	385,630

(a) At 30 June 2019 and 31 December 2018, 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	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	RMB'000
Up to 1 year	**88,565**	103,084
1 year to 2 years	**18,123**	5,227
Over 2 years	**2,335**	2,222
	109,023	110,533

20 Expenses by nature

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Property tax, land tax and other tax charges	**50,016**	51,964
Employee benefit expenses — including directors' emoluments	**23,179**	21,809
Depreciation and amortization expenses (Note 7)	**24,594**	3,823
Maintenance and repairing costs	**16,283**	13,938
Professional fees	**5,976**	5,387
Leasing commission	**5,142**	7,243
Utilities and office expenses	**4,318**	3,891
Travelling expenses	**2,294**	2,319
Impairment losses of property, plant and equipment (Note 7)	**—**	6,966
Auditors' remuneration		
— Audit services	**1,500**	1,500
— Non-audit services	**1,000**	1,000
Entertainment expenses	**1,283**	2,492
Leasing fees	**—**	14,665
Leasing fees of short-term leases	**922**	—
Bank charges	**412**	309
Other expenses	**2,374**	4,401
	139,293	141,707

21 Other gains/(losses) — net

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Fair value gains on financial assets at FVPL (Note 11)	**6,465**	6,848
Losses from disposal of subsidiaries (a)	**(2,778)**	—
Tax charge for the redemption and conversion of the hybrid instruments	**—**	(9,337)
Others	**(103)**	(204)
	3,584	(2,693)

21 Other gains/(losses) — net (continued)

a) Disposal of subsidiaries

	As at 30 June 2019 Unaudited RMB'000
Consideration received or receivable:	
Total disposal consideration	**340,201**
Less: carrying amount of net assets disposed	**(342,979)**
(Losses)/gains on disposal before income tax	**(2,778)**

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 sale and purchase agreements (the "SPAs") with Lao V CN Holding III Pte. Ltd, an affiliated entity of LaSalle (as the "Purchaser") on 9 November 2018 and 29 May 2019, respectively. Pursuant to the SPAs, the Seller has agreed to sell, and the Purchaser has agreed to purchase about 70% of total issued shares in Management 10 and Management 15 at the consideration of RMB122,250,909 and RMB217,950,216 in cash, respectively. As of the date of 31 December 2018, the assets and liabilities of Management 10 was classified as held for sale since the transaction was in progress and was expected to be completed within 12 months' period. The completion date of the disposals of Management 10 and Management 15 were 5 June 2019 and 14 June 2019, respectively.

21 Other gains/(losses) — net (continued)

a) Disposal of subsidiaries (continued)

The carrying amounts of assets and liabilities of Management 10 and Management 15 as at the dates of disposals were:

	At the dates of disposals Unaudited RMB'000
Property, plant and equipment	9
Investment properties	828,044
Other long-term prepayments	2,734
Trade and other receivables	33,845
Prepayments	47,226
Cash and cash equivalents	13,700
Total assets	925,558
Borrowings	(339,090)
Deferred income tax liabilities	(50,249)
Trade and other payables	(46,248)
Total liabilities	(435,587)
Net assets	489,971

Cash flows related to the disposal of subsidiaries were:

	Six months ended 30 June 2019 Unaudited RMB'000
Consideration received or receivable	
Total disposal consideration	340,201
Less: unpaid consideration (Note 10(a))	(35,162)
Total consideration received	305,039
Less: Cash and cash equivalents of the disposed subsidiaries as at disposal dates	(13,700)
Net proceeds from disposal of subsidiaries	291,339

22 Finance expenses — net

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Finance expenses		
Interest on bank borrowings	**(113,788)**	(104,029)
Interest on borrowings from other financial institutions	**(35,274)**	(36,706)
Interest on senior notes	**(143,450)**	(109,900)
Interest on ABN	**(564)**	—
Interest on lease liabilities (Note 26(c))	**(9,790)**	—
	(302,866)	(250,635)
Less: capitalization of interest	**70,560**	61,271
Net interest expenses	**(232,306)**	(189,364)
Transaction cost of convertible bonds	**(11,535)**	—
Exchange losses	**(18,205)**	(49,606)
Less: capitalization of exchange losses	**—**	10,492
Net exchange losses	**(18,205)**	(39,114)
	(262,046)	(228,478)
Finance income		
Interest income on bank deposits	**10,739**	5,928
Net finance expenses	**(251,307)**	(222,550)

23 Income tax expense

PRC income tax has been provided at the rate of 25% on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	**27,433**	(4,326)
Deferred income tax (Note 17)	**97,562**	131,516
	124,995	127,190

(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 period.

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

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

(iv) PRC withholding income tax

According to the new CIT Law, a 10% withholding income tax will be levied on the dividend paid to 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 Group did not recognize deferred tax liability on accumulated undistributed profit of its PRC subsidiaries as at 30 June 2019 and 31 December 2018, because the subsidiaries do not intend to distribute dividend in foreseeable future.

24 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 period.

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Profit attributable to owners of the Company (RMB'000)	**191,827**	288,733
Weighted average number of ordinary shares in issue	**3,233,255,616**	3,011,172,812
Basic earnings per share (RMB per share)	**0.0593**	0.0959

(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.

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Profit attributable to owners of the Company (RMB'000)	**191,827**	288,733
Weighted average number of ordinary shares in issue	**3,233,255,616**	3,011,172,812
Adjustment for shares granted under share option scheme	**3,537,335**	3,349,739
Adjustment for shares granted under the convertible bonds	**7,725,531**	—
Weighted average number of ordinary shares for diluted earnings per share	**3,244,518,482**	3,014,522,551
Diluted earnings per share (RMB per share)	**0.0591**	0.0958

25 Contingencies

The Group did not have significant contingent liabilities as at 30 June 2019 and 31 December 2018.

26 Related party transactions

Mr. Li and Ms. Ma are the substantial shareholders of the Group and their subsidiaries are regarded as the related parties.

As disclosed in Note 13(b)(ii), 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, and also by representation in the Company's Board, JD Subscriber is regarded as a related party since 11 May 2018. As JD Subscriber is wholly controlled by JD.com, Inc., 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 Specialty Building Materials Co., Ltd. ("Yupei Building Materials")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei Express Logistics Co., Ltd. ("Yupei Express Logistics")	Controlled by Mr. Li and Ms. Ma
Yupei Supply Chain Management Co., Ltd. ("Yupei Supply Chain")	Controlled by Mr. Li and Ms. Ma
Yupei Logistics Property Development 15 Co., Ltd ("Development 15")	Subsidiary of the associate of the Group
Yupei Logistics Property Development 10 Co., Ltd ("Development 10")	Subsidiary of the associate of the Group
Shanghai Hongyu	Associate of the Company
Management 10	Associate of the Group
Management 15	Associate of the Group
Kunshan Yuzai	Subsidiary of the associate of the Group
JD Subsidiaries	Ultimately controlled by JD.com, Inc.
Berkeley Asset	Substantial shareholder of the Group

26 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 during the six months ended 30 June 2019 and 2018, and balances arising from related party transactions as at 30 June 2019 and 31 December 2018 are summarised below.

(a) Services provided by a related party

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Leasing fees		
— Shanghai Hongyu	**—**	13,822

(b) Services provided to related parties

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Rental income and revenue from providing property management services to		
— Yupei Supply Chain	**24,038**	5,824
— Yupei Express Logistics	**3,355**	4,969
— Shanghai Yupei Industrial	**3,054**	254
— Yupei Building Materials	**—**	2,845
	30,447	13,892

26 Related party transactions (continued)

(b) Services provided to related parties (continued)

	Six months ended 30 June 2019 Unaudited RMB'000	Period from 11 May to 30 June 2018 Unaudited RMB'000
Rental income and revenue from providing property management services to		
— JD Subsidiaries	**106,499**	27,790

(c) Lease transactions with a related party

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Acquisition of right-of-use assets from (Note 3)		
— Shanghai Hongyu	**307,681**	—
Interest expense on lease liabilities (Note 22)		
— Shanghai Hongyu	**9,790**	—

(d) Advances to a related party

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
— Shanghai Hongyu	**14,030**	—

26 Related party transactions (continued)

(e) Convertible bonds subscribed by a related party

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	HK$'000	HK$'000
Principal amount of convertible bonds subscribed by		
— Berkeley Asset (Note 18)	**589,000**	—

(f) 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:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries and allowance	**4,957**	5,254
Employee share option expenses	**985**	2,439
Other social security cost, housing benefits and other employee benefits	**345**	365
	6,287	8,058

26 Related party transactions (continued)

(g) Period-end balances arising from transactions with related parties

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Prepayment to		
— JD Subsidiaries	**1,550**	149
Trade receivables from (Note 10(a))		
— Yupei Supply Chain	**9,449**	—
— Shanghai Yupei Industrial	**3,346**	—
— Yupei Express Logistics	**333**	—
— JD Subsidiaries	**1,241**	1,692
	14,369	1,692
Rental deposits and other receivables from (Note 10(a))		
— Shanghai Hongyu	**16,030**	2,000
— Kunshan Yuzai	**32,644**	—
— Management 15	**32**	—
— Management 10	**12**	—
— Development 15	**9**	—
— Development 10	**4**	—
	48,731	2,000
Long-term rental deposits payable to		
— Yupei Supply Chain	**—**	254
— Yupei Express Logistics	**—**	329
— JD Subsidiaries	**35,805**	31,644
	35,805	32,227

26 Related party transactions (continued)

(g) Period-end balances arising from transactions with related parties (continued)

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Prepaid rents from (Note 19)		
— Yupei Supply Chain	—	17
— JD Subsidiaries	**21,338**	23,502
	21,338	23,519
Rental deposits payable to (Note 19)		
— Yupei Express Logistics	**952**	2,252
— Yupei Supply Chain	—	746
— Yupei Building Materials	—	44
— JD Subsidiaries	**4,661**	8,725
	5,613	11,767
Leasing liabilities		
— Shanghai Hongyu		
— Current	**29,699**	—
— Non-current	**313,266**	—
	342,965	—

The receivables from and payables to related parties as at 30 June 2019 and 31 December 2018 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.

27 Events occurring after the balance sheet date

There are no other material subsequent events undertaken by the Company or by the Group after 30 June 2019.

中國物流資產控股有限公司
CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD