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)

2019
年度報告
Annual Report

Start a New Chapter
開 启 新 篇 章

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

股份代號：1589
STOCK CODE : 1589

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Shifa *(Chairman 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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. So Ka Man

AUTHORIZED REPRESENTATIVES

Ms. Li Qing
Ms. So Ka Man

LEGAL ADVISORS

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

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing 100025
China

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

AUDITOR

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

COMPANY'S WEBSITE

www.cnlpholdings.com

STOCK CODE

1589

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghai
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Harneys Services (Cayman) Limited
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103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

Harneys Services (Cayman) Limited
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3213, Cosco Tower
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Sheung Wan
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PRINCIPAL BANKS

Bank of Communications Co., Ltd.
China Merchants Bank Co., Ltd.
Deutsche Bank (China) Co., Ltd.
Industrial and Commercial Bank of China Ltd.
Ping An Bank Co., Ltd.

Financial Summary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**712,506**	582,280	403,900	270,861	163,238
Gross profit	**546,725**	433,927	275,652	181,980	105,986
Gross profit margin	**76.7%**	74.5%	68.2%	67.2%	64.9%
Profit for the year[1]	**423,142**	553,552	885,800	720,478	1,205,365
Non-IFRSs items:					
Core net profit[2][3]	**454,519**	297,048	162,623	107,168	63,332
Core net profit margin	**63.8%**	51.0%	40.3%	39.6%	38.8%

CONSOLIDATED BALANCE SHEETS

	As of 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)			
Assets					
Non-current assets	**21,454,078**	18,584,119	16,051,440	13,447,682	9,960,804
Current assets	**1,507,682**	3,000,546	2,290,332	2,093,001	914,518
Total assets	**22,961,760**	21,584,665	18,341,772	15,540,683	10,875,322
Equity and liabilities					
Total equity	**11,739,179**	11,413,889	9,325,754	8,479,092	1,984,434
Non-current liability	**8,609,922**	7,522,395	7,135,077	6,018,954	7,734,753
Current liabilities	**2,612,659**	2,648,381	1,880,941	1,042,637	1,156,135
Total liabilities	**11,222,581**	10,170,776	9,016,018	7,061,591	8,890,888
Total equity and liabilities	**22,961,760**	21,584,665	18,341,772	15,540,683	10,875,322
Net current assets/(liabilities)	**(1,104,977)**	352,165	409,391	1,050,364	(241,617)
Total assets less current liabilities	**20,349,101**	18,936,284	16,460,831	14,498,046	9,719,187

Notes:

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

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

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

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the business review of China Logistics Property Holdings Co., Ltd (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2019 and our outlook for 2020.

RESULTS

In 2019, the Group recorded a revenue of RMB712.5 million, representing a year-on-year increase of 22.4% as compared with RMB582.3 million in 2018. The Group's gross profit increased from RMB433.9 million in 2018 to RMB546.7 million in 2019, increasing by 26.0% year on year, while its gross profit margin increased from 74.5% in 2018 to 76.7% in 2019. The total assets of the Group increased from RMB21,584.7 million in 2018 to RMB22,961.8 million in 2019, representing a year-on-year increase of 6.4%.

BUSINESS OVERVIEW

As at 31 December 2019, the Company had 176 logistics facilities in operation in 37 logistics parks, located in logistics hubs in 18 provinces or centrally administered municipalities.

The Group expanded its network of logistics facilities to cope with the growing demand for premium logistics facilities in China and was therefore able to grow its revenue by 22.4% from RMB582.3 million in 2018 to RMB712.5 million in 2019. The Group's gross profit increased from RMB433.9 million in 2018 to RMB546.7 million in 2019.

MAJOR OPERATING DATA OF THE GROUP'S LOGISTICS PARKS

The following table sets forth the major operating data of the Group's logistics parks in 2019:

	As at 31 December	
	2019	2018
Completed GFA:		
Stabilized logistics parks (million sq.m.)(1)	**2.8**	2.5
Pre-stabilized logistics parks (million sq.m.)(2)	**0.6**	0.3
Total (million sq.m.)	**3.4**	2.8
Logistics parks under development or being repositioned (million sq.m.)	**0.6**	1.3
Land held for future development (million sq.m.)	**0.6**	0.4
Investments accounted for using equity method (million sq.m.)	**0.3**	0.1
Total GFA (million sq.m.)	**4.9**	4.6
Investment projects (million sq.m.)(3)	**4.6**	3.3
Occupancy rate for stabilized logistics parks (%)(1)	**90.3**	92.4

(1) Logistics facilities (i) for which construction have been completed for more than 12 months as of 31 December 2019 or 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 31 December 2019 or 2018 (as the case may be) and (ii) reached an occupancy rate less than 90%.

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

In 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 were sold to independent third parties, save for Berkeley Asset Holding Ltd ("**Berkeley Asset**"), which is a substantial shareholder of the Company and therefore a connected person. Berkeley Asset subscribed for HK$589,000,000 of principal amount of the convertible bonds on 26 June 2019, with the issue price being 100% of the principal amount. 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 were used to repay the interests of the US dollar senior notes and the principal of other offshore loans. All proceeds have been used as at the date of this report. For further details, please refer to the announcements of the Company dated 23 May 2019, 28 May 2019 and 26 June 2019.

BREAKDOWN OF INVESTMENT PROPERTIES

Completed Logistics Parks

The following table sets forth a summary of all the Group's completed and stabilized logistics parks as at 31 December 2019, together with the valuation of such logistics parks:

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Beijing Yupei Linhaitan Logistics Park, East Zhanggezhuang Village, Yongledian Town, Tongzhou District, Beijing, PRC	**83,329**	Logistics Facilities	Yes	689	**769**
Shanghai Yuhang Huangdu Logistics Park, 1000 Xiechun Road, Jiading District, Shanghai, PRC	**35,083**	Logistics Facilities	Yes	175	**187**
Suzhou Yupei Logistics Park, N. 28 Hengxinjing Road, Zhoushi Town, Kunshan, Jiangsu Province, PRC	**118,613**	Logistics Facilities	Yes	819	**860**
Wuhan Yupei Hannan Logistics Park, Wujin Industrial Park, Dongjing Street, Hannan District, Wuhan, Hubei Province, PRC	**73,098**	Logistics Facilities	Yes	313	**338**
Shenyang Yupei Shenbei Logistics Park, No. 10 Hongye Street, Shenyang New North Area, Shenyang, Liaoning Province, PRC	**84,621**	Logistics Facilities	Yes	388	**388**

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Shenyang Yupei Economic & Technological Development Zone Logistics Park, No. 17 Shenxi Jiudong Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning Province, PRC	**40,262**	Logistics Facilities	Yes	175	**175**
Zhengzhou Yupei Huazhengdao Logistics Park, East of Yitong Street, South of Xida Road, West of Litong Street and North of Wuliu Avenue, Zhengzhou, Henan Province, PRC	**31,166**	Logistics Facilities	Yes	166	**172**
Chuzhou Yuhang Logistics Park Phase I & II, No. 8 Huayuan West Road, Langya District, Chuzhou, Anhui Province, PRC	**63,568**	Logistics Facilities	Yes	248	**225**
Wuhu Yupei Logistics Park, Sanshan District Logistics Park, Sanshan District, Wuhu, Anhui Province, PRC	**90,304**	Logistics Facilities	Yes	272	**297**
Zhengzhou Yupei Logistics Park, South of Gucheng South Road, West of Jinsha Avenue, North of Xida Road, East of Litong Road, Zhongmou Town, Zhengzhou, Henan Province, PRC	**112,081**	Logistics Facilities	Yes	608	**620**

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Tianjin Yupei Logistics Park, Southwestern corner of Xiangjiang Avenue and Bohai 26th Road, Tianjin Harbor Economic Area, Binhai New District, Tianjin, PRC	**96,407**	Logistics Facilities	Yes	512	**504**
Hefei Yuhang Logistics Park, Southeastern corner of Donghua Road and Xinhua Road, Cuozhen Town, Feidong County, Hefei, Anhui Province, PRC	**56,014**	Logistics Facilities	Yes	249	**292**
Suzhou Yuqing Logistics Park, No. 8 Datong Road, Suzhou New District, Suzhou, Jiangsu Province, PRC	**171,108**	Logistics Facilities	Yes	1,037	**1,101**
Changchun Yupei Logistics Park, Hangkong Street, North Area of Changchun National Hi-Tech Industrial Development Zone, Changchun, Jilin Province, PRC	**63,347**	Logistics Facilities	Yes	282	**282**
Chengdu Yuhang Logistics Park, No. 9 Minsheng Road, Xiangfu Town, Qingbaijiang District, Chengdu, Sichuan Province, PRC	**113,132**	Logistics Facilities	Yes	573	**580**

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Wuxi Yupei Logistics Park — Phase I, Northwestern corner of Zoumatang West Road and Yongjun Road, An Town, Xishan District, Wuxi, Jiangsu Province, PRC	**61,609**	Logistics Facilities	Yes	291	**297**
Jiaxing Yupei Logistics Park, West of Sidian Gang, North of Xinchang Road, Nanhu District, Jiaxing, Zhejiang Province, PRC	**130,874**	Logistics Facilities	Yes	772	**777**
Changzhou Yupei Logistics Park, Northwestern corner of Longcheng Avenue and Shengda Road, Luoxi Town, Xinbei District, Changzhou, Jiangsu Province, PRC	**82,712**	Logistics Facilities	Yes	342	**350**
Nantong Yupei Logistics Park, Northeastern corner of Dongfang Avenue and Wei 18th Road, Nantong Sutong Science & Technology Park, Tongzhou District, Nantong, Jiangsu Province, PRC	**41,449**	Logistics Facilities	Yes	154	**156**
Huizhou Yupei Logistics Park, Yunbu Village, Luoyang Town, Huizhou, Guangdong Province, PRC	**112,071**	Logistics Facilities	Yes	508	**583**

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Suzhou Yuzhen Logistics Park, Northwestern corner of Wenchang Road and National Road 312, Suzhou New District, Suzhou, Jiangsu Province, PRC	**175,434**	Logistics Facilities	Yes	1,020	**1,075**
Harbin Yupei Logistics Park, East of Songhua Road, South of New Holland Co., Ltd, Harbin, Heilongjiang Province, PRC	**80,948**	Logistics Facilities	Yes	340	**341**
Wuxi Yupei Logistics Park — Phase II, Northeastern corner of Yongjun Road and Xidong Avenue, An Town, Xishan District, Wuxi, Jiangsu Province, PRC	**124,392**	Logistics Facilities	Yes	565	**587**
Jinan Yupei Logistics Park Phase I, South of National Road G20 and West of National Road G220, Jinan, Shandong Province, PRC	**47,213**(1)	Logistics Facilities	Yes	187	**188**
Huai'an Yupei Logistics Park, No. 6 Kaixiang Road, Huai'an Economic & Technological Development Zone, Huai'an, Jiangsu Province, PRC	**57,689**	Logistics Facilities	Yes	188	**192**
Zhaoqing Yupei Logistics Park, Mafang Development Zone, Dasha Town, Sihui, Zhaoqing, Guangdong Province, PRC	**104,857**	Logistics Facilities	Yes	543	**571**

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Dalian Yupei Logistics Park Phase I, East of Gaoxinyuan 10th Road, North of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC	**139,785**	Logistics Facilities	Yes	538	**538**
Jinan Yupei Logistics Park Phase II, South of National Road G20 and west of National Road G220, Jinan, Shandong Province, PRC	**26,641**[(1)]	Logistics Facilities	Yes	104	**104**
Tianjin Yupei Xiqing Logistics Park, West of Taikang Road, Xinkou Town, Xiqing District, Tianjin, the PRC	**96,972**[(1)]	Logistics Facilities	Yes	512	**557**
Xianyang Yupei Logistics Park, North of Xinyuan Road and east of Weidong Road, Xianyang, Shaanxi Province, PRC	**112,731**	Logistics Facilities	Yes	535	**561**
Yupei Zhoushan E-commerce Logistics Industrial Park, Xingang Park, Zhoushan Economic Development Zone, Zhoushan, Zhejiang Province, PRC	**91,057**	Logistics Facilities	Yes	362	**357**

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Kunming Yupei Logistics Park, Macheng Road, Chenggong District, Kunming, Yunnan Province, PRC	**102,454**[1]	Logistics Facilities	Yes	434	**472**
Total	**2,821,021**			13,901	**14,496**

Note:

(1) As recorded in the real property ownership certificate obtained as at 31 December 2019.

The following table sets forth a summary of all the Group's completed and pre-stabilized projects as at 31 December 2019, together with the valuation of such projects:

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Chongqing Yupei Xipeng Logistics Park, Section A, Xipeng Community, Jiulongpo District, Chongqing, PRC	**152,428**	Logistics Facilities	Yes	508	**720**
Zhoushan Yuhang Industrial Park, Dongsheng Community, Ganlan Town, Dinghai District, Zhoushan, Zhejiang Province, PRC	**25,801**[(1)]	Logistics Facilities	Yes	83	**110**
Dalian Yupei Logistics Park Phase II, East of Gaoxinyuan 12th Road, North of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC	**76,254**	Logistics Facilities	Yes	97	**292**
Changsha Yupei Logistics Park, at the Intersection of Yuelu Avenue and Heye Road, Yuelu District, Changsha, Hunan Province, PRC	**135,667**	Logistics Facilities	Yes	315	**628**
Wuxi Yupei Logistics Park Phase III, Southwestern corner of Yongjun Road and Zoumatang West Road, Xishan District, Wuxi, Jiangsu Province, PRC	**207,032**	Logistics Facilities	Yes	535	**940**
Total	**597,182**			1,538	**2,690**

Note:

(1) As recorded in the real property ownership certificate obtained as at 31 December 2019.

Logistics Parks Under Development

The following table sets forth the overview of the Group's logistics parks under development as at 31 December 2019, together with the valuation of such logistics parks:

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Jinan Yuzhen Logistics Park, South of Gangyuan 6th Road, West of Gangxing 1st Road and North of Gangyuan 7th Road, Jinan Comprehensive Free Trade Zone, Jinan, Shandong Province, PRC	**125,802**	Logistics Facilities	Yes	66	**301**
Guiyang Yupei Logistics Park, Northwestern corner of Huayan Road and extension section of Guhuai Road, Huaxi District, Guiyang, Guizhou Province, PRC	**178,847**	Logistics Facilities	Yes	121	**421**
Qingdao Yuhang Logistics Park, North of Zangbao First Road, Jiaodong Air Economic Demonstrative Zone, Qingdao, Shandong Province, PRC(1)	**99,152**	Logistics Facilities	Yes	—	**120**
Yuyao Yupei Logistics Park, Sino-Italy Ningbo Ecological Park, Yuyao, Zhejiang Province, PRC(1)	**164,788**	Logistics Facilities	Yes	—	**141**
Total	**568,589**			187	**983**

Note:

(1) New logistic park under development in 2019.

Land Held for Future Development

The table below sets forth the overview of the Group's land held for future development as at 31 December 2019, together with the valuation of such projects:

Logistics Parks	Total GFA as at 31 December 2019 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2018 (in RMB million)	Property Valuation as at 31 December 2019 (in RMB million)
Shanghai Yupei Qingyang Logistics Park, East of Waiqingsong Highway, Qingpu District, Shanghai, PRC	67,593	Logistics Facilities	Yes	221	240
Shanghai Yuzai Logistics Park, Xuanqiao Town, Nanhui Industrial Zone, Pudong New District, Shanghai, PRC	108,599	Logistics Facilities	Yes	352	378
Shanghai Yupei Jinshan Logistics Park, Southwestern corner of Rongdong Road and Rongtian Road, Jinshan District, Shanghai, PRC	72,171	Logistics Facilities	Yes	199	212
Nanchang Yupei Logistics Park, West of Yanhe Road and north of Tianxiang Avenue, Nanchang Hi-tech Industrial Development Zone, Nanchang, Jiangxi Province, PRC	129,503[1]	Logistics Facilities	Yes	75	75
Shanghai Yuji Logistics Park, No. 99 Jiangong Road, Fengjing Town, Jinshan District, Shanghai, PRC	175,345[1]	Logistics Facilities	Yes	297	325
Total	553,211			1,144	1,230

Note:

(1) As adjusted pursuant to the design planning.

Industry Overview

In recent years, the economy of China has experienced a critical transitional period, shifting from rapid development into high-quality development, and consumption has become the main impetus for economic development. According to the National Bureau of Statistics of the PRC, the gross domestic product for 2019 reached RMB99,086.5 billion, up by 6.1% over than that of last year, which was significantly higher than the global economic growth rate, and ranked first among economies with total economic output over US$1 trillion. The contribution rate of domestic demand to economic growth was 89.0%, 57.8% of which was contributed by final consumption expenditures. The total amount of retail sales of consumer goods for the whole year was RMB41,164.9 billion, up by 8.0% over that of last year. Such increase in consumption gave rise to a growing demand for logistics services. According to the China Federation of Logistics & Purchasing, from January to November 2019, the total amount of the national social logistics was RMB271.7 trillion, representing a year-on-year increase of 5.6% based on the comparable prices; and the total amount of the social logistics cost was RMB12.8 trillion, representing a year-on-year increase of 7.1%. Thanks to the growing demand for logistics services, the Chinese logistics facilities market has witnessed a sustained and rapid development. According to a report from DTZ Cushman & Wakefield Limited, an independent professional real estate consultant, the inventory level of the premium logistics facilities in China overfilled 60 million square meters ("**sq.m.**") as at the end of 2019. As at the end of 2019, the inventory level of the premium logistics facilities in China continued to increase to 9 million sq.m., up by 17.6% as compared to that recorded at the end of 2018. In 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.

As for the market conditions in the fourth quarter of 2019, the inventory level of the premium logistics warehouses in mainland China exceeded 60 million sq.m., of which approximately 3.08 million sq.m. were from projects newly put to market, and the overall vacancy rate increased slightly by 0.5 percentage point and market rent increased slightly by 0.7% compared to that of the third quarter of 2019. During the fourth quarter of 2019, the main supply projects in Northern China came from Jinan, Dalian, Changchun and other regions. Affected by continued advancement of capital function dispersal and the retreat of low-end warehouses in Beijing, the demand for high-standard warehouses in Beijing continued to radiate to the surrounding areas. In Northeastern China, there will be 1.27 million sq.m. of new supply in the next two years, and there may be downward pressure on the leasing market in the short term. It is expected that supply of Northern China will be mainly focused in Tianjin, Shenyang, Qingdao and Xi'an in 2020. At the same time, with the economic and trade cooperation between countries driven by the "Belt and Road", investors may also accelerated their deployment in Shaanxi, Gansu, Qinghai, Xinjiang and other regions.

In Eastern China, the average rent in the fourth quarter of 2019 increased slightly by 1.9 percentage points compared to that of the third quarter 2019. The new supply in the market was about 0.94 million sq.m.. Although the short-term rise in supply in some markets has led to a slight increase in the overall vacancy rate, while in the long run, thanks to the significant increase in demand from express and e-commerce customers, high-standard warehouses in core cities in Eastern China are still very popular. With the promulgation of 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》), it is expected that the supply and demand of high-standard warehouses in Eastern China will be extended to Northern Jiangsu, Southern Zhejiang, and the adjacent regions of Anhui, Jiangsu and Zhejiang in the future.

In Southern China, there was a slight increase in both average rent and overall vacancy rates. Thanks to the commencement in full force of the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the regional role and functions of the Western side area of the Pearl River will also be upgraded. The logistics and warehousing markets in Zhongshan, Zhujiang, Zhaoqing and other cities are being driven, and prices are expected to keep rising in the future.

In Central China, overall market rent was flat as compared to last quarter of 2019. Henan and Hunan gained close attention of investors, and their new supply in the fourth quarter of 2019 was 0.92 million sq.m. and 1.33 million sq.m., respectively. In particular, the high-standard warehouse leasing market in Zhengzhou remained stable and healthy, with an average rent of RMB28.4 per sq.m. per month. In Southwestern China, Sichuan, Chongqing, Guizhou and Yunnan saw nearly 0.9 million sq.m. of new supply added. In Chongqing and Chengdu, the rent and occupancy rate may be under pressure in the short term due to the large supply in market. In Guiyang and Kunming, high-standard warehouse markets remained stable and healthy with relatively low level of overall vacancy rate, mainly due to the location of the two cities on the main channel of the ASEAN Economic and Trade Area, and the absence of significant increasing trend of the supply there in the short term.

In general, the demand in China's premium logistics facilities leasing market continued to demonstrate a strong increasing momentum. The demand of the e-commerce, retailers and third-party logistics ("**3PL**") has become a main driving force for the advanced logistics facilities sector, taking a leading position in the leasing market, and the overall demand of the traditional retail and manufacturing sectors remained steady. According to the National Bureau of Statistics of the PRC, in 2019, the e-commerce sector in China still had a higher growth rate in its development, and the total amount of online retail sales of physical goods for the whole year amounted to RMB8,523.9 billion, representing an increase of 19.5% over last year, and accounting for 20.7% of the total retail sales of consumer goods, up by 2.3 percentage points over that of last year. In line with the further release of consumption potential in Midwest China and rural areas and the profound popularization of the Internet and mobile Internet, the e-commerce sector will develop at a quicker pace in the future, and the leasing demand for high-standard warehouses as driven by the development of e-commerce sector will remain one of the major driving forces for the development of logistics facilities sector in the future. 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 for the vast-sized economy and population in China, whereas the area of logistics facilities per capita is significantly smaller than that in the developed markets, such as Europe, the United States and Japan. With the increasingly higher demand for logistics efficiency in the whole society, as well as the extensive investment in and application of the Internet, Internet-of-Things, AI, robots and big data, the elimination of low-efficiency obsolete logistics facilities will speed up to drive a continual rise of market demand for premium logistics facilities.

Outlook

Business Outlook

In 2020, the Group will continue its efforts to achieve its goal to develop into the largest provider of premium logistics facilities in China and maintaining its leading position as a premium logistics facilities provider in China. The Group intends to continue to pursue the following:

- *Strengthen nationwide network across major logistics hubs* — The Group has continued to strengthen its nationwide network of logistics facilities by developing its land held for future development and acquiring new land for investment projects, identifying new investment projects and selectively acquiring existing logistics facilities. As at 31 December 2019, the Group has approximately 0.6 million sq.m. of GFA of land held for future development and approximately 4.6 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 use the opportunity brought by the country's promotion of the construction of the Greater Bay Area and the integration of the Yangtze River Delta to actively seek new investment opportunities in the region with an aim to continue to build a network of logistics facilities in the region.

- *Accelerate lease-up cycle and optimize tenant portfolio* — In 2019, the occupancy rate for our stabilized logistics parks reached 90.3%, approximately 2.4 percentage points higher than the overall occupancy rate in the market, which represented one of our achievements attributable to our continuous efforts in promoting the strategy of accelerating lease-up cycle and optimizing tenant portfolio. 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.

- *Innovate product portfolio in response to the market demand* — In recent years, in addition to the efforts we have made to facilitate the traditional and high standard of warehousing services and the development of its ancillary facilities, we have also strived to satisfy the warehousing needs of difference types of customers, such as fresh food e-commerce companies, cold chain operators, etc., through continuous adjustments to our products. The cold chain market has experienced rapid expansion due to the upgrade of the consumption industry in the PRC and gradual standardization of the logistics industry. According to the relevant data regarding the cold chain logistics network in the PRC, the market size of the fresh food e-commerce in the PRC has grown at a compound growth rate of over 50% to more than RMB350 billion between 2016 and 2019. However, there are still some issues facing the cold chain ancillary warehousing facilities currently in the PRC, such as supply shortage, high construction cost and poor warehousing facilities. Aiming to optimize the Group's own product structure and better serve our customers, we plan to join hands with relevant quality cold chain facilities providers in the future to commence renovation and construction of certain warehousing facilities and build cold room facilities equipped with a precise temperature control system, with a view to satisfying regional warehousing needs of various fresh food ecommerce companies and other customers. In the beginning, we will focus our efforts on domestic core markets to provide our customers with corresponding high-standard cold room facilities.

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

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

- *Reduce the environmental impact of operations* — The Group is committed to reducing the environmental impact of its operations and promoting environmental sustainability. The Group will continue to increase its efforts to expand its business with minimal environmental impact going forward by designing and developing its projects based on long-term energy savings and efficiencies. In particular, it plans to increase the use of clean and renewable energy and reduce the Group's carbon footprint by installing solar panel on top of its logistics facilities. Besides, the Group will experimentally install water recycling system in some logistics parks, and will promote it to all logistics parks across the country after achieving favorable results.

Industry Outlook

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

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

- *Growing e-commerce market in China* — China's e-commerce industry will continue to experience strong growth in 2020. Key drivers for this growth include, 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 its rapid development, and its growth rate will be far higher than the national average level.

- *Growing 3PL market* — The 3PL industry will continue to experience steady growth in 2020. Key drivers for this growth include the demand for more efficient logistics services, rapid development in transportation infrastructure, and the trend for an increasing number of retailers, manufacturers and others choosing to outsource logistics for cost saving and efficiency. The Chinese government aims to further lower the ratio of the total social logistics cost to GDP, targeting to lower the ratio to about 12% by 2025. To achieve this goal, more investments in high-standard logistics facilities are required to improve logistics efficiency.

- *Favorable government policy* — Numerous government publications have highlighted the importance of logistics to China's economic growth. For example, "Layout and Construction Plan of National Logistics Hubs" (《國家物流樞紐佈局和建設規劃》) released by the National Development and Reform Commission and Ministry of Transport of China proposes that China will further optimize its industrial structure and spatial layout. It is estimated that about 150 national logistics hubs will be deployed and constructed by 2025, enabling the overall logistics industry to achieve the goal of reducing costs and improving efficiency in a continuous way.

Moreover, a total of 24 ministries and commissions, including the National Development and Reform Commission, jointly issued "Opinions on Promoting High-quality Development of Logistics Industry to Form a Strong Domestic Market" (《關於推動物流高質量發展促進形成强大國內市場的意見》) in 2019, emphasizing once again the goals of consolidating the achievements of reducing costs and improving efficiency in logistics, enhancing the vitality of logistics enterprises, increasing the cost efficiency of the industry and supporting the smooth operation of full-chain logistics.

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

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

In the long run, although the supply levels of modern logistics facilities are far from enough compared with that of developed countries throughout the world, China is still the core market for the development of logistics. As supply is evolving in the coming year, enterprises need more high-quality modern warehouse facilities to improve operational efficiency so as to satisfy consumers' growing logistics demands.

In addition, an obvious industry trend shows that more high-quality 3PL enterprises are constantly emerging, which integrates the traditional fragmented logistics business of small and medium-sized retail manufacturers, as a result, assisting the logistics network in achieving economies of scale and enhanced efficiency. 3PL enterprises and large-scale e-commerce enterprises constantly leverage on big data, cloud computing, smart logistics and other technologies to fuse the entire industry with new technologies, with an aim to promote the continuous optimization and progress of China's logistics industry.

ACKNOWLEDGEMENT

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

Li Shifa
Chairman of the Board
Hong Kong, 24 April 2020

Management Discussion and Analysis

The following table is a summary of the Group's consolidated statement of comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from the year ended 31 December 2018 to the year ended 31 December 2019:

	For the year ended 31 December				Year-on-Year
	2019		2018		Change
	RMB'000	%	RMB'000	%	%
Consolidated Statement of Comprehensive Income					
Revenue	**712,506**	**100.0**	582,280	100.0	22.4
Cost of sales	**(165,781)**	**(23.3)**	(148,353)	(25.5)	11.7
Gross profit	**546,725**	**76.7**	433,927	74.5	26.0
Selling and marketing expenses	**(33,931)**	**(4.8)**	(31,304)	(5.4)	8.4
Administrative expenses	**(108,198)**	**(15.2)**	(102,108)	(17.5)	6.0
Net impairment losses on financial assets	**(1,349)**	**(0.2)**	(5,516)	(0.9)	(75.5)
Other income	**19,160**	**2.7**	12,379	2.1	54.8
Fair value gains on investment properties — net	**746,215**	**104.7**	948,244	162.9	(21.3)
Fair value losses on convertible bonds — net	**(55,833)**	**(7.8)**	—	—	—
Other gains — net	**13,242**	**1.9**	11,955	2.1	10.8
Operating profit	**1,126,031**	**158.0**	1,267,577	217.7	(11.2)
Finance income	**23,409**	**3.3**	15,963	2.7	46.6
Finance expenses	**(522,601)**	**(73.3)**	(540,336)	(92.8)	(3.3)
Finance expenses — net	**(499,192)**	**(70.1)**	(524,373)	(90.1)	(4.8)
Share of profit of investments accounted for using the equity method	**88,575**	**12.4**	104,327	17.9	(15.1)
Profit before income tax	**715,414**	**100.4**	847,531	145.6	(15.6)
Income tax expense	**(292,272)**	**(41.0)**	(293,979)	(50.5)	(0.6)
Profit for the year	**423,142**	**59.4**	553,552	95.1	(23.6)
Profit for the year attributable to:					
Owners of the Company	**331,089**	**46.5**	557,231	95.7	(40.6)
Non-controlling interests	**92,053**	**12.9**	(3,679)	(0.6)	(2,602.1)
	423,142	**59.4**	553,552	95.1	(23.6)
Total comprehensive income for the year attributable to:					
Owners of the Company	**331,089**	**46.5**	557,231	95.7	(40.6)
Non-controlling interests	**92,053**	**12.9**	(3,679)	(0.6)	(2,602.1)
	423,142	**59.4**	553,552	95.1	(23.6)
Earnings per share (expressed in RMB)					
Basic	**0.1024**		0.1781		
Diluted	**0.1023**		0.1779		

Revenue

The Group's revenue increased by 22.4% from RMB582.3 million in 2018 to RMB712.5 million in 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 a part of the Group's nationwide expansion plan; and (ii) an overall increase in the levels of rent and management fee for the Group's logistics park projects in operation which were generally in line with the market trends in the cities the Group operates.

Cost of Sales

The Group's cost of sales increased by 11.7% from RMB148.4 million in 2018 to RMB165.8 million in 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 25.5% in 2018 to 23.3% in 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 26.0% from RMB433.9 million in 2018 to RMB546.7 million in 2019, and the Group's gross profit margin increased from 74.5% in 2018 to 76.7% in 2019.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 8.4% from RMB31.3 million in 2018 to RMB33.9 million in 2019, primarily due to the expansion of the Group's in-house sales and marketing team with the increased operation scale. As a percentage of the Group's revenue, selling and marketing expenses decreased from 5.4% in 2018 to 4.8% in 2019, primarily due to economies of scale from the Group's growing operation scale and the increase of the operational efficiency of the Group.

Administrative Expenses

The Group's administrative expenses increased by 6.0% from RMB102.1 million in 2018 to RMB108.2 million in 2019, primarily as a result of an increase in depreciation expenses relating to right-of-use assets due to the application of IFRS16 new lease standard. As a percentage of the Group's revenue, administrative expenses decreased from 17.5% in 2018 to 15.2% in 2019. The decrease was primarily attributable to economies of scale from the Group's growing operation scale and the increase of the Group's operational efficiency.

Other Income

The Group's other income increased by 54.8% from RMB12.4 million in 2018 to RMB19.2 million in 2019, primarily due to the increase of the government grants received by the Group from the local government authority.

Fair Value Gains on Investment Properties — Net

The Group's net fair value gains on investment properties decreased by 21.3% from RMB948.2 million in 2018 to RMB746.2 million in 2019, primarily attributable to (i) the disposal of 70% of the equity of two of the Group's subsidiaries, the fair value gains on investment properties of which will only be accounted for in the "Share of profit of investments accounted for using the equity method"; and (ii) the number of new projects increased was less than that of 2018.

Other Gains — Net

The Group's other gains increased by 10.8% from RMB12.0 million in 2018 to RMB13.2 million in 2019, primarily as a result of gain from the sale of 70% of the equity of two of the Group's subsidiaries.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 11.2% from RMB1,267.6 million in 2018 to RMB1,126.0 million in 2019. As a percentage of the Group's revenue, the Group's operating profit decreased from 217.7% in 2018 to 158.0% in 2019.

Finance Income

The Group's finance income increased by 46.6% from RMB16.0 million in 2018 to RMB23.4 million in 2019, primarily due to the increase in interest income from bank deposits.

Finance Expenses

The Group's finance expenses decreased by 3.3% from RMB540.3 million in 2018 to RMB522.6 million in 2019, primarily due to less exchange loss resulting from less fluctuation of the U.S. dollar exchange rate compared with that of last year.

Income Tax Expense

The Group's income tax expenses decreased by 0.6% from RMB294.0 million in 2018 to RMB292.3 million in 2019, primarily as a result of the decrease in fair value gains and losses, which has reduced the deferred income tax expenses. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, increased from 34.7% in 2018 to 40.9% in 2019. The increase was mainly due to the increase in net losses, such as borrowing costs and losses from changes in the fair value of convertible bonds of the Group's overseas subsidiaries, which are exempted from income tax and cannot offset the tax liabilities incurred by the Group's domestic subsidiaries. In addition, capital gains tax recognised on disposal of equity in overseas subsidiaries is higher than that of last year, which has led to an increase in the Group's overall effective income tax rate.

Profit for the year

As a result of the foregoing, the Group's profit of the year decreased by 23.6% from RMB553.6 million in 2018 to RMB423.1 million in 2019. The Group's profit for the year attributable to the owners of the Group decreased by 40.6% from RMB557.2 million in 2018 to RMB331.1 million in 2019.

Non-IFRSs Measure

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

Core Net Profit

The Group defines its core net profit as its adjusted EBITDA, which consists of profit for the year, adding back our interest expense on borrowings, net exchange losses, fair value losses on convertible bonds — net, 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 RMB297.0 million in 2018 to RMB454.5 million 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 in 2019 was 63.8%.

LIQUIDITY AND CAPITAL RESOURCES

In 2019, the Group financed its operations primarily through cash from the Group's operations, borrowings from banks and financial institutions and the issuance of senior notes, convertible bonds and asset-backed medium-term notes ("**ABN**"). The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth and borrowings.

Cash and cash equivalents

As at 31 December 2019, the Group had cash and cash equivalents of RMB1,166.3 million (31 December 2018: RMB2,000.4 million), which primarily consisted of cash at bank and on hand that were mainly denominated in Renminbi (as to 78.3%), U.S. dollars (as to 7.3%), and Hong Kong dollars (as to 14.4%).

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

Indebtedness

(a) Borrowings

As at 31 December 2019, the Group's total outstanding borrowings amounted to RMB7,384.0 million. The Group's borrowings were denominated in Renminbi (as to 62.2%) and U.S. dollars (as to 37.8%). The following table sets forth a breakdown of the Group's current and non-current borrowings as at the dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets	**4,075,632**	3,424,778
— secured by equity interest of certain subsidiaries	**50,000**	—
— secured by assets and equity interest of certain subsidiaries	**—**	124,895
Long-term borrowings from other financial institutions		
— unsecured	**—**	684,839
Senior Notes		
— secured by guarantees and pledged provided by certain subsidiaries	**2,790,063**	2,707,491
ABN		
— secured by assets	**448,272**	—
Less: Long-term bank borrowings due within one year	**(446,404)**	(583,709)
Long-term borrowings from other financial institutions due within one year	**—**	(684,839)
Senior notes due within one year	**(1,673,447)**	—
ABN due within one year	**(554)**	—
	5,243,562	5,673,455
Current		
Short-term bank borrowings		
— unsecured	**20,000**	40,000
Short-term senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**—**	685,396
Current portion of long-term bank borrowings		
— secured by assets	**446,404**	458,814
— secured by assets and equity interest of certain subsidiaries	**—**	124,895
Current portion of long-term borrowings from other financial institutions		
— unsecured	**—**	684,839
Current portion of senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**1,673,447**	—
Current portion of ABN		
— secured by assets	**554**	—
	2,140,405	1,993,944
Total borrowings	**7,383,967**	7,667,399

The Group's total outstanding borrowings amounted to RMB7,667.4 million and RMB7,384.0 million as at 31 December 2018 and 2019, respectively. The decrease in the Group's total borrowings was primarily due to the repayment of certain senior notes in 2019.

On 24 June 2019, the Company's subsidiary, Shanghai Yupei (Group) Company Limited (上海宇培(集團)有限公司) ("**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 two project subsidiaries of the Group. 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. Please see Note 19 to the consolidated financial statements for further details.

As at 31 December 2019, the Group's borrowings of RMB4,741.9 million (31 December 2018: RMB4,855.3 million) bore fixed interest rates and the remaining borrowings bear floating interest rates. The weighted average effective interest rates of the Group's borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that were outstanding during the period, for the year ended 31 December 2018 and 2019 were as follows:

	As at 31 December	
	2019	*2018*
RMB	**6.0%**	5.9%
US$	**10.1%**	9.3%

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

	As at 31 December	
	2019	*2018*
	(in RMB thousands)	
Within one year	**2,140,405**	1,993,944
Between one and two years	**1,820,148**	3,236,352
Between two and five years	**1,684,444**	1,473,162
Over five years	**1,738,970**	963,941
Total Borrowings	**7,383,967**	7,667,399

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2019	2018
	(in RMB thousands)	
Floating rate:		
Expiring within one year	–	76,000
Expiring beyond one year	**376,500**	252,000
	376,500	328,000
Fixed rate:		
Expiring over one year	–	70,000
	376,500	398,000

GEARING RATIO

The Group's gearing ratio is calculated by dividing (i) the Group's total borrowings, convertible bonds and lease liabilities less cash and cash equivalents and restricted cash, being the Group's net debt, by (ii) the sum of net debt and the Group's total equity, being the Group's total capital. As at 31 December 2018 and 2019, the Group's gearing ratio was 31.6% and 38.0%, respectively.

CAPITAL EXPENDITURES

The Group made payment for the capital expenditures representing the spent on the development of its logistics park projects, the acquisition of land and the acquisition of property, plant and equipment of RMB1,902.2 million in 2019. In 2018, the Group made capital expenditure of RMB1,754.6 million. The Group's capital expenditure in 2019 was funded primarily by cash generated from its operating activities and bank borrowings.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2019, there were no significant unrecorded contingent liabilities, guarantees or litigations against the Group.

CHARGE ON GROUP ASSETS

As at 31 December 2019, investment properties of the Group with a total fair value amount of RMB15,517.0 million (2018: RMB13,257.0 million) were pledged as collateral mortgaged to secure bank borrowings of the Group. See Note 8 to the consolidated financial statements in this report for further details.

FUNDING AND TREASURY POLICY

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

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MAJOR INVESTMENT

Pursuant to the cooperation framework agreement that the Company and LaSalle Investment Management Asia Pte. Ltd. ("**LaSalle**") entered into in August 2018 ("**LaSalle Cooperation Agreement**"), the Company, through its subsidiary, China Yupei Logistics Property Development Co., Ltd. ("**Yupei**") entered into a series of sale and purchase agreements with LaSalle. Under the first sale and purchase agreement dated 9 November 2018, Yupei agreed to sell approximately 70% of the issued shares in one of the subsidiaries of the Group to LaSalle with a total consideration of RMB136.3 million. Under the second sale and purchase agreement dated 29 May 2019, Yupei agreed to sell approximately 70% of the issued shares in another one of the Group's subsidiaries to LaSalle with a total consideration of RMB224.5 million. Information on the two other sale and purchase agreements can be found under Note 39 to the consolidated financial statements. For further details, please refer to the announcement of the Company dated 26 March 2020.

Save as disclosed above, the Group did not conduct any material investments, acquisitions or disposals in 2019. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company, the 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 at 31 December 2019, the Group had a total of 196 employees. The Group has established comprehensive training programs to support and encourage its employees and continued to organize on-the-job training on a regular basis to employees from members of its management team to newly hired employees to improve their relevant skills at work. The Group offers competitive remuneration package which includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group's employee benefit expenses include salaries, benefits and other compensations paid to all of its employees.

In 2019, the total employee benefit expenses of the Group (including salaries, wages, bonuses, employee share option expenses, pension, housing, medical insurance and other social insurance) amounted to RMB54.9 million, representing approximately 7.7% 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 at the date of this report) have been granted by the Company under the pre-IPO share option scheme, among which 1,063,000 shares were forfeited during 2019 and 7,542,200 shares remained outstanding as at 31 December 2019.

DIVIDENDS

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2019.

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Shifa（李士發）, aged 56, is the founder of the Group and was appointed as chairman of the Board, president of the Group and an executive director of the Company on 12 November 2013. He has been appointed as the chief executive officer of the Group (the "**Chief Executive Officer**") with effect from 26 April 2019. He is also the chairman of the nomination committee of the Board (the "**Nomination Committee**") and a member of the remuneration committee of the Board (the "**Remuneration Committee**"). Mr. Li is the executive director and president of Shanghai Yupei, the Group's principal operating subsidiary in the PRC, and holds positions as the chairman, executive director, president and/or general manager at each of the subsidiaries of the Company. Mr. Li started the logistics facilities business in the year 2000. With more than 19 years of experience in the logistics facilities industry, Mr. Li has been the key driver of the business strategies and achievements of the Group. He is primarily responsible for formulating and leading the implementation of the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group. Mr. Li has been a committee member of the Wuhu City Chinese People's Political Consultative Conference（蕪湖市政治協商會議）from January 2013 to July 2018 and the vice-president of the China Association of Warehouses and Storage（中國倉儲協會）since December 2014. Mr. Li has been the president of the chamber of Commerce of Shanghai Hongqiao Business District since 30 August 2019. Mr. Li is the father of Ms. Li Qing, a non-executive director and vice-president of the Group. Mr. Li is also a director of Yupei International Investment Management Co., Ltd, one of the substantial shareholders of the Company.

Mr. Wu Guolin（吳國林）, aged 50, was appointed as an executive director and the chief operating officer of the Company on 30 March 2017 and 26 March 2018 respectively. Mr. Wu joined the Group in the year 2000 as a vice-president of Shanghai Yupei. He was appointed as a senior vice-president of Shanghai Yupei from November 2012 to December 2018 and the senior vice-president of the Company in November 2013. Mr. Wu was appointed as the Chief Operating Officer of Shanghai Yupei in January 2019. Mr. Wu is responsible for managing project construction related matters of the Group. Mr. Wu was certified as a senior engineer (building and construction specialty) by the senior assessment committee of Hubei Province（湖北省高級評審委員會）, the PRC, in October 2006. Prior to joining the Group, Mr. Wu was project manager at Nanjing Housing Construction Corporation（南京市住宅建設總公司）, a company engaged in property construction work, from September 1995 to December 1998, during which he was responsible for overseeing and managing contracted construction work. From January 1999 to May 2000, Mr. Wu was a manager at the construction project department of Shanghai Huaying Construction and Installation Co., Ltd.（上海華英建築安裝有限公司）, a company engaged in the provision of property construction and installation services, where he was responsible for overseeing and managing contracted projects. Mr. Wu obtained a certificate for having completed the practical real estate executive training program, organized by Tsinghua University（清華大學）, the PRC, in June 2009.

Ms. Li Huifang (李慧芳), aged 38, was appointed as an executive director and vice-president of the Company on 30 March 2017 and 26 March 2018 respectively. Ms. Li joined the Group in April 2008 and was appointed as a vice-president of Shanghai Yupei in January 2017. She is in charge of the day-to-day financial matters of the Company's project companies in the PRC. Prior to her current position, Ms. Li served as the director of the financial department of Shanghai Yupei from February 2015 and as finance manager of Shanghai Yupei from April 2008 to February 2015, responsible for the day-to-day financial matters of Shanghai Yupei. From February 2006 to April 2008, Ms. Li was a finance manager of Shanghai Feiyu International Trading Company Limited (上海飛域國際貿易有限公司) (now known as Shanghai Yingyu International Trading Company Limited (上海盈域國際貿易有限公司), a company engaged in the business of import and export of goods and technology, where she was responsible for the day-to-day financial auditing, tax and bank financing matters of its headquarters and subsidiaries. From May 2003 to February 2006, Ms. Li served as an accountant at Shanghai Yupei Industry Company Limited (上海宇培實業有限公司) (now known as Shanghai Yupei Industry (Group) Company Limited (上海宇培實業(集團)有限公司)), which is engaged in the business of, amongst others, the operation of logistics parks, and was primarily responsible for matters in relation to financial auditing and tax filings. Ms. Li was certified to have attained the intermediate level in accounting by the Ministry of Finance of the PRC in May 2007. Ms. Li passed the Self-taught Higher Education Examinations and obtained a graduation certificate (majoring in accounting) jointly issued by the Shanghai Self-taught Higher Education Examinations Committee (上海市高等教育自學考試委員會) and the Shanghai University of Finance and Economics (上海財經大學), the PRC, in December 2011.

Mr. Chen Runfu (陳潤福), aged 55, was a non-executive director of the Company from 22 December 2016 before his re-designation as an executive director on 30 March 2017. Mr. Chen is currently the senior vice president of Sino-Ocean Group Holding Limited (遠洋集團控股有限公司) ("**Sino-Ocean Group**", formerly known as Sino-Ocean Land Holdings Limited (遠洋地產控股有限公司), a substantial shareholder of the Company), and also serves as a director or general manager in a number of subsidiaries or project companies of Sino-Ocean Group. Mr. Chen is primarily responsible for Sino-Ocean Group's strategy management, investment management, equity management and brand management. Sino-Ocean Group, through its subsidiaries, is primarily engaged in property development and property investment and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3377). Mr. Chen has served over 25 years in Sino-Ocean Group and has extensive experience in property development and property investment. Since joining COSCO Real Estate Development Corporation (中遠房地產開發公司), the predecessor of Sino-Ocean Group, in October 1995, Mr. Chen has held various positions in the company, including the head of the regional development department, the general manager of the client service center, the general manager of the strategic development department, the general manager of the office building business department, and the vice president of the company. He was also an executive director of Sino-Ocean Group from June 2007 to December 2015. Mr. Chen has been appointed as the senior vice president of Sino-Ocean Group since

April 2016. Prior to joining Sino-Ocean Group, Mr. Chen worked as an engineer in the Waterborne Transport Planning and Designing Institute under the Ministry of Transport (交通部水運規劃設計院), currently known as China Transport Waterborne Transport Planning and Designing Institute Co., Ltd. (中交水運規劃設計院有限公司), from August 1986 to September 1993. From September 1993 to October 1995, Mr. Chen worked at China Sino-Ocean Shipping (Group) Corporation (中國遠洋運輸(集團)總公司), currently known as China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company engaged in waterborne transport and ocean shipping, where he first served as an investment specialist in the planning division until July 1994, and later as a secretary in the president's office until October 1995. Mr. Chen obtained a bachelor's degree in harbour and channel engineering from Dalian Institute of Technology (大連工學院, currently known as Dalian University of Technology 大連理工大學), PRC, in July 1986. Mr. Chen then obtained an executive master of business administration degree from China Europe International Business School (中歐國際工商學院), PRC, in September 2005.

Mr. Cheuk Shun Wah (卓順華), aged 54, was appointed as an executive director and the chief financial officer of the Company on 17 August 2017 and 26 March 2018 respectively. Mr. Cheuk joined the Group in October 2016 as a senior vice-president of the Company. Mr Cheuk is responsible for overseeing the Company's capital markets and investor relationships functions, as well as its financial management and control. He is a finance and accounting veteran with near 30 years of experience in Europe and Asia. Prior to joining the Group, he was the chief financial officer of Trendy International Group Ltd, an international fashion conglomerate, from 2012 to 2016, where he was responsible for overseeing and supervising the overall finance and related operations of the company. Mr. Cheuk has held senior finance positions at multinational companies. He was head of group strategic development at Dickson Concepts (International) Limited, a company engaging in the retail and wholesale distribution and licensing of luxury products, and listed on the Main Board of the Stock Exchange (stock code: 0113), from 2011 to 2012, where he was responsible for formulating and driving business development strategies. From 2007 to 2011, he was the senior vice president (group finance) of Esprit Holdings Limited (a company engaged in the retail and distribution and licensing of lifestyle products and listed on the Main Board of the Stock Exchange (stock code: 0330)), where he was responsible for overseeing and managing the finance and accounting matters at the group level and led a team which included finance, information technology, legal and tax functions in the integration of business from the PRC. From 2004 to 2007, he was the chief financial officer and senior vice president of Shanghai Lotus Supermarket Chain Store Co., Ltd (a subsidiary of the Charoen Pokphand Group and a foreign supermarket chain operating in the PRC), where he was responsible for overseeing and managing the finance and accounting matters of the company. From 2003 to 2004, he was the director of finance (Asia) at Esprit Regional Service Limited, a subsidiary of Esprit Holdings Limited, where he was in charge of the finance and accounting matters of the regional businesses in Asia. From 1993 to 2003, Mr. Cheuk has also held various positions at A.S. Watson Group (a subsidiary of CK Hutchison Holdings Limited and an international health and beauty retailer), including finance director, global finance director and regional financial controller, where he was responsible for, amongst others, overseeing and directing financial activities of the company and leading teams at a number of divisions. Mr. Cheuk was an associate member of the Hong Kong Institute of Certified Public Accountants from April 1993 and has been a fellow member since February 2004. He has also been a fellow of The Association of Chartered Certified Accountants since October 1997. He obtained a professional diploma in accountancy from The Hong Kong Polytechnic University in 1989 and he holds a Master of Business Administration degree conferred by the University of South Australia in May 1998.

Ms. Shi Lianghua (石亮華), aged 49, was appointed as an executive director of the Company on 17 August 2017. Ms. Shi joined the Group in September 2011 as senior vice-president of Shanghai Yupei. She was appointed as senior vice-president of the Company in November 2013. Ms. Shi is responsible for managing project financing, contracting, planning and design, cost control and related matters of the Group. Ms. Shi was certified as an engineer by the assessment committee of The Second Navigational Engineering Bureau of CHEC (中港第二航務工程局), the PRC, in August 1998; and was certified to have attained the intermediate qualification level in construction economics by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in November 1998. She was also certified as National First-Class Registered Architect by the Ministry of Construction of the People's Republic of China (中華人民共和國建設部) in November 2006. Prior to joining the Group, Ms. Shi served various positions including engineer, cost engineer as well as project director at The Second Navigational Engineering Bureau of CHEC, a member of a state-owned construction group, from August 1991 to September 2000, during which she was responsible for project cost and project management. She joined Shanghai ABC Steel Structure Co., Ltd. (上海美建鋼結構有限公司), a foreign manufacturer of steel structures, as department manager in November 2000 and became executive controller in 2005, during which she was responsible for contract executions and managing business operations, until April 2007. She then assumed the position of chief officer at the engineering and construction center of Shanghai Gaorong Group (上海高榕集團) from May 2007 to August 2011, during which she had overall responsibility for managing and initiating group investment in real estate projects and group infrastructure projects. Ms. Shi obtained a diploma in harbor engineering from Nanjing Harbor Engineering College (南京航務工程專科學校), the PRC, in July 1991; a bachelor's degree in engineering management from Huazhong University of Science and Technology (華中科技大學), the PRC, in July 2000; and a master's degree in business administration from Donghua University (東華大學), the PRC, in December 2008.

Mr. Xie Xiangdong (謝向東), aged 51, was appointed as a vice president of the Group on January 1, 2019. He worked as a deputy director of general office of Shanghai Yupei Industry Co., Ltd. (上海宇培實業有限公司) from January 2000 to December 2009. He was appointed as a manager in materials department of Shanghai Yupei Industry Group Company Limited (上海宇培實業(集團)有限公司) in January 2010. From January 2012 to December 2013, he worked as a vice president of procurement in the procurement and supply center of Shanghai Yupei Architecture Decoration Engineering Co., Ltd. (上海宇培建築裝飾工程有限公司). He was appointed as the director of assets management department of Shanghai Yupei in January 2014 and subsequently appointed as a vice president of Shanghai Yupei in May 2018, being responsible for the management of the Group's assets and properties. Mr. Xie was certified as an engineer by Human Resources and Social Security Department of Anhui Province, PRC, in April 2011. Mr. Xie obtained an associate degree in Architectural Engineering and Technology from Central China Normal University (華中師範大學) in July 2018.

Non-executive Directors

Mr. Huang Xufeng (黃旭鋒), aged 40, was appointed as a non-executive director of the Company on 28 December 2017. Mr. Huang has extensive experience in asset management and investments. Mr. Huang is currently deputy general manager of Anbang Asset Management Co., Ltd. (安邦資產管理有限責任公司) and the general manager of the investment management department of Anbang Insurance Group Co., Ltd. (安邦保險集團股份有限公司). Prior to his current positions, Mr. Huang served as a senior staff member and a principal staff member at the Department of Market Operation and Coordination of the Ministry of Commerce (商務部市場運行調節司) of the PRC from August 2004 to October 2008; person-in-charge at the research division of the Special Commissioner's Office in Hangzhou of the Ministry of Commerce (商務部駐杭州特辦調研處) of the PRC from November 2008 to May 2011; assistant general manager of HXFB Financial & Investment

Management Co., Ltd.(華夏富邦金融投資管理有限公司)from June 2011 to March 2012; and from March 2012 to August 2014, he has served positions including deputy general manager and general manager at the investment banking division, as well as the assistant general manager, of ABC International (China) Investment Co., Ltd.(農銀國際(中國)投資有限公司). Mr. Huang obtained a bachelor's degree in agricultural economics and management from the College of Economics and Management at the China Agricultural University(中國農業大學經濟管理學院)in the PRC in July 2002, and a master's degree in agricultural economics and management from the Chinese Academy of Agricultural Sciences(中國農業科學院)in the PRC in July 2004.

Ms. Li Qing(李慶), aged 33, was an executive director of the Company since 25 April 2014 before her re-designation as a non-executive director of the Company on 30 March 2017. Ms. Li is also a member of the Remuneration Committee and the Nomination Committee. She has been a vice-president of the Group since 12 November 2013. She joined Shanghai Yupei as vice-president on 1 November 2012 and also serves as director at a number of the Group's subsidiaries. Ms. Li is primarily responsible for the overall management of the administrative, human resources and property management work of the Group. Ms. Li is the daughter of Mr. Li Shifa, chairman of the Board, president and chief executive officer of the Group and an executive director of the Company. Ms. Li obtained a bachelor's degree in arts (majoring in Japanese) from Shanghai Normal University(上海師範大學), the PRC, in July 2010, and a master's degree in science (majoring in international management for Japan) from the University of London, the United Kingdom, in December 2012.

Mr. Fu Bing(傅兵), aged 43, was appointed as a non-executive director of the Company on 11 May 2018, and has extensive experience in logistics and supply chain management. Mr. Fu is currently vice-president of JD.com, Inc., a leading technology-driven e-commerce company and retail infrastructure service provider in China listed on the NASDAQ (stock code: JD), and head of strategy and head of the logistics planning and development department of JD Logistics Group, the logistics arm of JD.com, Inc.. Prior to his current positions, Mr. Fu served as a director of operations at the Sinotrans Logistics Development Co., Ltd.(中外運物流發展有限公司)from March 2005 to May 2011; and a consulting director for supply chain management at Accenture PLC(埃森哲), a management consulting company, from May 2011 to March 2014. In addition, Mr. Fu has also been serving as vice-chairman of the China Transportation Association Intelligent Logistics Special Committee(中國交通運輸協會智能物流專委會)and China E-Commerce Logistics Industrial Alliance(中國電商物流產業聯盟)since September 2017 and December 2017, respectively; and a committee member of the Supply Chain Special Committee of the China Chain Store & Franchise Association(中國連鎖經營協會供應鏈專委會)since July 2016. Furthermore, Mr. Fu founded the online logistics technology forum, namely the "Logclub", in 2005. Mr. Fu obtained a bachelor's degree in industrial automation from the College of Information Engineering at the University of Science and Technology Beijing(北京科技大學)in the PRC in July 2000.

Independent Non-executive Directors

Mr. Guo Jingbin(郭景彬), aged 62, was appointed as an independent non-executive director of the Company on 14 June 2016. He is also the chairman of the Remuneration Committee and a member of each of the audit committee of the Board (the "**Audit Committee**") and the Nomination Committee. Mr. Guo is responsible for supervising and providing independent judgment to the Board. Mr. Guo has over 36 years of experience in the construction industry, specializing in corporate strategic planning, marketing and general and administration management. He has extensive experience in capital markets. Mr. Guo has been an independent non-executive director of China Tian Yuan Healthcare Group Limited(中國天元醫療集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 557) and engaged in investment holding and the provision of consultancy services, since August 2016; an executive director and chairman of China Conch Venture Holdings Limited (中國海螺創業控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 586) ("**Conch Venture**"), an investment holding company with subsidiaries principally engaged in providing energy preservation and environmental protection solutions, where he is responsible for its overall strategic development, since July 2014. He was a non-executive director of Conch Venture from June 2013 to June 2014. Mr. Guo held various senior managerial positions including the secretary to the board and deputy general manager of Anhui Conch Cement Co., Ltd. (安徽海螺水泥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600585) and the Main Board of the Stock Exchange (stock code: 914) ("**Conch Cement**"), and he was an executive director of Conch Cement from October 1997 to June 2014 and a non-executive director from June 2014 to June 2016. Mr Guo has been a director of Anhui Conch Holdings Co., Ltd. (安徽海螺集團有限責任公司), an investment company, since January 1997. Mr. Guo obtained a master's degree in business administration from the Chinese Academy of Social Sciences (中國社會科學院), the PRC, in July 1998.

Mr. Fung Ching Simon (馮征), aged 51, was appointed as an independent non-executive director of the Company on 14 June 2016. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Fung is responsible for supervising and providing independent advice to the Board. Mr. Fung has extensive experience in finance and accounting management and he has served as senior officers at a number of companies in the construction and property development industry. Since January 2020, he has served as the Chief Financial Officer of Logan Property Holdings Co., Ltd (龍光地產控股有限公司), a company engaged in the development for sale of residential properties in the PRC and listed on the Main Board of the Stock Exchange (stock code: 3380). From October 1994 to June 2004, he served as operations manager, and senior manager of the assurance and business advisory division at PricewaterhouseCoopers, a public accountants firm, where he was involved in office administration and management and in charge of audit and business advisory matters respectively. Mr. Fung was the chief financial officer and secretary to the board of directors of Baoye Group Company Limited (寶業集團股份有限公司) ("**Baoye Group**"), a company principally engaged in the provision of construction services, the manufacturing and distribution of building materials and the development and sale of properties, and listed on the Main Board of the Stock Exchange (stock code: 2355), from August 2004 to July 2010, during which he was responsible for overseeing financial and accounting matters. He also served as the chief financial officer and the company secretary of Greentown China Holdings Limited (綠城中國控股有限公司), a company engaged in the development for sale of residential properties in the PRC and listed on the Main Board of the Stock Exchange (stock code: 3900) from August 2010 to December 2019. In addition, Mr. Fung has been a non-executive director of Baoye Group since June 2011. He is also an independent non-executive director of Hainan Meilan International Airport Company Limited (海南美蘭國際空港股份有限公司), formerly known as Regal International Airport Group Company Limited (瑞港國際機場集團股份有限公司), a company engaged in the aeronautical and non-aeronautical business and listed on the Main Board of the Stock Exchange (stock code: 357), since October 2004. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. Mr. Fung graduated from the Queensland University of Technology, Australia, with a bachelor's degree in business, majoring in accountancy in February 1993.

Mr. Wang Tianye (王天也), aged 61, was appointed as an independent non-executive director of the Company on 14 June 2016. Mr. Wang is also a member of each of the Remuneration Committee and the Nomination Committee. Mr. Wang is responsible for supervising and providing independent judgment to the Board. Mr. Wang has over 26 years of experience in finance and investment and has served various senior management positions at companies in the property development and real estate industry. From October 2015 to February 2018, Mr. Wang re-assumed his position as executive director at Top Spring International Holdings Limited（萊蒙國際集團有限公司）("**Top Spring**"), a company engaged in property development and listed on the Main Board of the Stock Exchange (stock code: 3688). He had served as an executive director of Top Spring from September 2012 until November 2013, when he left the company to attend to family matters. Mr. Wang has been a senior consultant of Top Spring since March 2018. Besides, Mr. Wang is an independent non-executive director of Top Education Group Ltd.,（澳洲成峰高教集團有限公司）, a company listed on the Main Board of the Stock Exchange (stock code: 1752) since April 2018. He is also an independent director of Henan Pinggao Electric Co., Ltd.（河南平高電氣股份有限公司）, a company engaged in high voltage switchgear industry and listed on the Shanghai Stock Exchange (stock code: 600312), since September 2014. Prior to taking up his current positions, Mr. Wang was an executive director and the chief executive officer of Central China Real Estate Limited（建業地產股份有限公司）, a company engaged in property development and listed on the Stock Exchange (stock code: 832), from November 2004 to June 2012, during which he was responsible for formulating development strategies, executing decisions on investment projects and the overall business management of the company. Mr. Wang was recognized as a senior economist by the Bank of China Group in December 1992 and he was admitted as a senior associate of the Australian Institute of Banking and Finance in April 1996. He obtained a master's degree in applied finance from Macquarie University, Australia, in April 1996.

Mr. Leung Chi Ching Frederick（梁子正）, aged 62, has been an independent non-executive director of the Company since 14 June 2016. Mr. Leung is also a member of each of the Audit Committee and Nomination Committee. Mr. Leung has been an independent non-executive director and the chairman of the audit committee of CGN New Energy Holdings Co., Ltd.（中國廣核新能源控股有限公司）, a company engaged in the operation of power stations and other associated facilities, and listed on the Main Board of the Stock Exchange (stock code: 1811) since September 2014. CGN New Energy Holdings Co., Ltd. was awarded Hong Kong Corporate Governance Excellence Awards 2019 under the category for Hang Seng Composite Index Constituent Companies by The Chamber of Hong Kong Listed Companies and Hong Kong Baptist University. Mr. Leung has over 37 years of professional and industrial experience in management, corporate governance, corporate finance, banking and accounting. He was previously an executive director, chief financial officer and company secretary of Skyworth Digital Holdings Limited（創維數碼控股有限公司）("**Skyworth**"), a manufacturer of television sets and listed on the Stock Exchange (stock code: 751). In his almost nine years of services in Skyworth, he was mainly responsible for the company's successful resumption of trading of its shares and strengthening of its internal controls, accounting system, corporate governance and investor relations management. In 2011 and 2013, Skyworth was awarded by Asia Money as the Best Managed Medium Cap Company in China of 2011 and by Forbes as Asia's Fabulous 50 of 2013, respectively. Furthermore, Mr. Leung accumulated 14 years' working experience in Deloitte Touche Tohmatsu. He left Deloitte Touche Tohmatsu in June 1999 as a principal of corporate finance. Mr. Leung obtained a Bachelor Degree of Science in Business Administration (major in Accounting) from the University of The East in the Philippines in November 1981. He became an associate member of the Hong Kong Institute of Certified Public Accountants in April 1997 and has been its fellow member since October 2013. Also, he has been a member of the American Institute of Certified Public Accountants since December 1996. He has been a member of the Hong Kong Securities and Investment Institute since April 1999 and has been its fellow member since April 2015. In addition, he has been a founding member of the Hong Kong Independent Non-Executive Director Association since November 2015.

Mr. Chen Yaomin（陳耀民）, aged 57, was appointed as an independent non-executive director of the Company on 30 March 2017. Mr. Chen is currently a partner at a number of private equity investment firms. He has over 30 years of experience in management and investment. Mr. Chen has been an executive partner of Shanghai Cuizhu Equity Investment Management Center LLP（上海萃竹股權投資管理中心(有限合夥)）since December 2014 and an executive partner of Shanghai Kesheng Venture Capital Center LLP（上海科升創業投資中心(有限合夥)）since December 2010. Mr. Chen has also been an executive partner and an executive director of Shanghai Kesheng Venture Capital Management Co., Ltd.（上海科升創業投資管理有限公司）since November 2010, and the general manager and a non-executive director of Shanghai Kesheng Investment Co., Ltd.（上海科升投資有限公司）since July 2007. Mr. Chen has been the chairman and a non-executive director of Shanghai Chengjia Electronic Technology Co., Ltd.（上海誠佳電子科技有限公司）, a company engaged in the manufacture and sale of electronic devices as well as the development of electronic technology, since January 2008.

SENIOR MANAGEMENT

Mr. Zheng Zhengfu（鄭正富）, aged 39, was appointed as vice-president and secretary general of the Secretariat of the Board of the Company on 26 March 2018 and 15 June 2017, respectively. Mr. Zheng joined Shanghai Yupei as the secretary to the Chairman in July 2013 and was appointed as the deputy director of the office of the president and secretary general of the secretarial office of the chairman in June 2014, and was subsequently appointed as vice-president in January 2018. Mr. Zheng is responsible for administration and human resources matters and the daily operations of the Secretariat of the Board. Prior to joining the Group, Mr. Zheng served as secretary to the president, deputy director and director of the office of the president and assistant to the chairman (being responsible for administration and human resources matters) at Biaoma Group Co., Ltd.（彪馬集團有限公司）from October 2005 to July 2013; and as the assistant to the chairman of Taizhou Huahui Copper Industry Co., Ltd.（台州市華輝銅業有限公司）from August 2004 to September 2005. Mr. Zheng obtained a graduate diploma in secretarial studies from the Zhejiang Gongshang University（浙江工商大學）, the PRC, in July 2005.

COMPANY SECRETARY

Ms. So Ka Man（蘇嘉敏）, aged 46, was appointed as the company secretary on 10 March 2016. She is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. So is a chartered secretary and a fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Chartered Governance Institute in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. So obtained a bachelor's degree in arts (accountancy) from the Hong Kong Polytechnic University in November 1996. Apart from the Company, Ms. So has been providing professional secretarial services to a number of listed companies.

Directors' Report

The Board of Directors of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

As of 31 December 2019, the Company had 176 logistics facilities in operation in 37 logistics parks, located in logistics hubs in 18 provinces or centrally administered municipalities.

Performance of the Group's Business

As demands from tenants in e-commerce and third-party logistics providers industries continued to increase, the Group expanded its network of logistics facilities to cope with such demand and thereby grew its revenue by 22.4% from RMB582.3 million in 2018 to RMB712.5 million in 2019. The Group's gross profit increased from RMB433.9 million in 2018 to RMB546.7 million in 2019. As of 31 December 2019, the Group recorded a net current liabilities of RMB1,105.0 million as compared with a net current assets of RMB352.2 million recorded as of 31 December 2018.

Relationship with Tenants

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

The Group generates a significant portion of its revenue from its five largest tenants. During the year ended 31 December 2019, revenue generated from the Group's single largest tenant accounted for approximately 29.4% of its total revenue while revenue attributable to its five largest tenants accounted for approximately 47.2% of its total revenue for the same period.

Relationship with Contractors

The Group's largest suppliers are the construction contractors for its logistics parks. As the Group selects contractors on a project basis, it does not rely on any single contractor despite the relatively high contribution of its largest or five largest contractors which accounted for approximately 36.2% and 82.2% to its construction cost incurred during the year ended 31 December 2019, respectively.

Relationship with Employees

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

Environmental Policy

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

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

Further details of the Group's environmental, social and governance ("**ESG**") matters are set out in the ESG Report on pages 77 to 104 of this annual report.

Licenses, Regulatory Approvals and Compliance Record

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

Principal Risks and Uncertainties

Principal risks and uncertainties the Group faces include:

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

Subsequent Event

Coronavirus Outbreak

The outbreak of the novel coronavirus ("**COVID-19 outbreak**") in China and the subsequent quarantine measures imposed by the Chinese government as well as the travel restrictions imposed by other countries since January 2020 have had a negative impact on the economic activities in China. The Group has paid close attention to the development of the COVID-19 outbreak and evaluated its impact on the financial position and operating results of the Group. As at the date of this report, the Group was not aware of any material adverse effects on its business or financial position as a result of the COVID-19 outbreak, since the Group charges fixed rent based on long term leases. The Group will continue to monitor the situation closely and carry out any necessary assessment on the potential financial impact on the Group's consolidated financial statements.

Diversifying Corporate Finance Channels

Pursuant to the LaSalle Cooperation Agreement, the Company, through Yupei, entered into two sale and purchase agreements with LaSalle on 26 March 2020. Under these sales and purchase agreements, Yupei agreed to sell approximately 90% of the issued shares of two subsidiaries of the Group at a purchase price of approximately RMB279.0 million (subject to closing adjustment) and approximately RMB317.3 million (subject to closing adjustment), respectively. The Company considers the cooperation model under the LaSalle Cooperation Agreement could further finance the development and operational costs of the logistics parks held by the project companies. Such funding model enables the Group to leverage external capital resources to accelerate its expansion. For further details, please refer the announcement of the Company dated 26 March 2020.

In addition, from 1 January 2020 to the date of this report, the Group has obtained borrowing facilities of RMB645 million in aggregate despite the tightening credit market. Such amount, together with the RMB377 million of borrowing facilities obtained on or before 31 December 2019 that remain undrawn as at the date of the Company's unaudited results announcement dated 30 March 2020 and the Group's ability to leverage external capital, provide the Group with ample financial resources to fuel its further expansion and repay existing indebtedness.

Save for the abovementioned, no significant event affecting the Group has occurred since 31 December 2019.

Outlook for 2020

In 2020, the Group will continue its effort to achieve its goal of becoming the largest provider of premium logistics facilities in China. In particular, the Group plans to continue to implement the following strategies: (i) strengthen its nationwide network across major logistics hubs, (ii) accelerate its lease-up cycle and optimize its tenant portfolio, (iii) diversify its sources of capital and lower cost of capital, (iv) attract, motivate and cultivate management talent and personnel to support its operations and future expansions, and (v) reduce the environmental impact of its operations.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2019 and the state of the Company's and the Group's financial affairs as of that date are set out in the consolidated financial statements on pages 111 to 248.

DIVIDEND POLICY

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

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to the shareholders of the Company for the year ended 31 December 2019.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2019 are set out in Note 40 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL AND THE PRE-IPO SHARE OPTION SCHEME

Details of the Company's share capital and pre-IPO share option scheme are set out in Notes 15 and 18 to the consolidated financial statements and the section headed "Pre-IPO Share Option Scheme" below, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as of 31 December 2019 are set out in Note 35 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year ended 31 December 2019 amounted to RMB650,000.

FINANCIAL SUMMARY

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

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

During the year ended 31 December 2019, 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		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	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 of US$0.000625 each share 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 year ended 31 December 2019.

PRE-IPO SHARE OPTION SCHEME

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

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

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

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

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

The maximum number of shares of the Company which may be issued upon the exercise of all options to be granted under the Pre-IPO Share Option Scheme must not exceed 1% of the Company's total issued share capital as at the Listing Date, being 28,802,990 shares of the Company, which represent approximately 0.89% of the total issued shares of the Company as of the date of this annual report. As at 31 December 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 the date of this annual report) have been granted by the Company under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

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

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

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

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

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

Each option granted under the Pre-IPO Share Option Scheme is valid for five years from the date of grant provided that none of the Pre-IPO Options shall be exercisable prior to the Listing Date. As at 31 December 2019, 7,542,200 Pre-IPO Options have been vested and exercisable.

Details of the outstanding options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 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	Number of shares of the Company represented by the outstanding share options as at 1 January 2019	Exercised during the year	Cancelled during the year	Lapsed during the year	**Number of shares of the Company represented by the outstanding share options as at 31 December 2019**
Directors								
Pan Naiyue *(resigned as an*	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	633,600	(633,600)	–	–	**–**
executive Director and	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	633,600	(633,400)	–	(200)	**–**
Chief Executive	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	844,800	–	–	(844,800)	**–**
Officer effective from								
26 April 2019)								
				2,112,000	(1,267,000)	–	(845,000)	**–**
Wu Guolin	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	561,600	–	–	–	**561,600**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	561,600	–	–	–	**561,600**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	748,800	–	–	–	**748,800**
				1,872,000	–	–	–	**1,872,000**
Li Huifang	28 March 2016	$1.625	From 15 July 2017 to 28 March 2021	211,200	(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	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	163,200	–	–	–	**163,200**
(appointed as an	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	163,200	–	–	–	**163,200**
executive Director	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	217,600	–	–	–	**217,600**
effective from								
26 April 2019)								
				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	Number of shares of the Company represented by the outstanding share options as at 1 January 2019	Exercised during the year	Cancelled during the year	Lapsed during the year	**Number of shares of the Company represented by the outstanding share options as at 31 December 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	(1,467,000)	–	(845,000)	**6,440,000**
Members of senior management & other employees of the Group								
In aggregate	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	163,400	(200)	–	–	**163,200**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	548,800	(385,200)	–	(400)	**163,200**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	1,216,000	(441,600)	–	(217,600)	**556,800**
	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	(72,200)	–	–	**52,600**
	28 March 2016	$1.625	From 15 July 2019 to 28 March 2021	166,400	–	–	–	**166,400**
				2,344,200	(1,024,000)	–	(218,000)	**1,102,200**
Total				11,096,200	(2,491,000)	–	(1,063,000)	**7,542,200**

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

DIRECTORS

The Directors of the Company during the year ended 31 December 2019 and as at the date of this annual report and their respective positions were:

Name	Position
Mr. Li Shifa	Chairman of the Board, Executive Director and Chief Executive Officer
Mr. Pan Naiyue *(resigned on 26 April 2019)*	Executive Director
Mr. Wu Guolin	Executive Director
Ms. Li Huifang	Executive Director
Mr. Chen Runfu	Executive Director
Mr. Cheuk Shun Wah	Executive Director
Ms. Shi Lianghua	Executive Director
Mr. Xie Xiangdong *(appointed on 26 April 2019)*	Executive Director
Mr. Huang Xufeng	Non-executive Director
Ms. Li Qing	Non-executive Director
Mr. Fu Bing	Non-executive Director
Mr. Guo Jingbin	Independent Non-executive Director
Mr. Fung Ching Simon	Independent Non-executive Director
Mr. Wang Tianye	Independent Non-executive Director
Mr. Leung Chi Ching Frederick	Independent Non-executive Director
Mr. Chen Yaomin	Independent Non-executive Director

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

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Mr. Li Shifa entered into a service contract with the Company on 14 June 2016 commencing from even date, while each of Mr. Wu Guolin, Ms. Li Huifang and Mr. Chen Runfu entered into a service contract with the Company on 29 March 2017 commencing from 30 March 2017. Each of Mr. Cheuk Shun Wah and Ms. Shi Lianghua signed a service contract with the Company on 17 August 2017 commencing from even date. Mr. Xie Xiangdong entered into a service contract with the Company on 26 April 2019 commencing from even date. Mr. Huang Xufeng entered into a letter of appointment with the Company on 28 December 2017 commencing from even date. Each of Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick signed a letter of appointment with the Company on 14 June 2016 commencing from even date, while each of Ms. Li Qing and Mr. Chen Yaomin signed a letter of appointment with the Company on 29 March 2017 commencing from 30 March 2017. Mr. Fu Bing signed a letter of appointment with the Company on 11 May 2018 commencing from even date.

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

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin), and the Company considers such Directors to be independent for the year ended 31 December 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2019, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

(a) Interests in the ordinary shares/underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares/ underlying shares interested(1)	Approximate percentage of shareholding(2)
Li Shifa	Interest of controlled corporation(3)	916,488,000	28.34%
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%
Li Qing(7)	Beneficial Owner	1,872,000	0.06%
Xie Xiangdong(8)	Beneficial Owner	544,000	0.02%

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2019, the Company had 3,234,192,999 issued shares.

(3) Mr. Li Shifa holds the entire issued share capital of Lee International Investment Management Co., Ltd, which in turn holds 90% interest in Yupei International Investment Management Co., Ltd. Accordingly, Mr. Li Shifa is deemed to be interested in the 916,488,000 shares of the Company 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, representing 1,872,000 underlying shares of the Company.

(5) Ms. Li Huifang is interested in 504,000 options granted to her under the Pre-IPO Share Option Scheme, representing 504,000 underlying shares of the Company.

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

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

(8) Mr. Xie Xiangdong is interested in 544,000 options granted to him under the Pre-IPO Option Scheme, representing 544,000 underlying shares of the Company.

(b) Interests in associated corporations

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

Notes:

(1) All interests stated are long positions.

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

Save as disclosed above, as at 31 December 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 at 31 December 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 of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as the Directors are aware:

Name of shareholder	Capacity/Nature of interest	Number of shares/ underlying shares interested	Approximate percentage of shareholding[3]
Lee International Investment Management Co., Ltd	Interest of controlled corporation[4]	916,488,000[1]	28.34%
Yupei International Investment Management Co., Ltd[4]	Beneficial owner	916,488,000[1]	28.34%
Ma Xiaocui	Interest of spouse[5]	916,488,000[1]	28.34%
RRJ Capital Master Fund II, L.P.	Interest of controlled corporation[6]	937,772,498[1]	29.00%
		208,749,000[2]	6.45%
Warburg Pincus & Co.	Interest of controlled corporation[7]	443,148,000[1]	13.70%
WP X Investment VI Ltd.	Interest of controlled corporation[7]	443,148,000[1]	13.70%
ESR Cayman Limited[7]	Beneficial owner; Interest of controlled corporation[7]	443,148,000[1]	13.70%
ESR HK Management Limited[7]	Beneficial owner	390,151,000[1]	12.06%
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 held in long positions.

(2) Interests held in short positions.

(3) As at 31 December 2019, the Company had 3,234,192,999 issued 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 Shifa 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 the wife of Mr. Li Shifa and is deemed to be interested in the shares of the Company which are interested by Mr. Li Shifa under the SFO.

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

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

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

Save as disclosed above, as at 31 December 2019, the Directors or chief executive of the Company are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACT

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

MAJOR TENANTS AND CONTRACTORS

During the year ended 31 December 2019, revenue attributable to the Group's largest tenant, JD.com, Inc., who is also a shareholder of the Company, accounted for approximately 29.4%, while the revenue attributable to the Group's five largest tenants accounted for approximately 47.2% of the Group's total revenue in the same period. Yupei Supply Chain Management Group Co., Ltd. (宇培供應鏈管理集團有限公司) ("**Shanghai Yupei Supply Chain**"), one of the largest tenants of the Company, is a subsidiary of Shanghai Yushuo Investment Holdings Co., Ltd., the interests of which are 90% owned by Mr. Li Shifa. Save as disclosed above, none of the Directors, any of their close associates or any shareholders that, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company had any interest in any of the Group's five largest tenants during the year ended 31 December 2019.

During the year ended 31 December 2019, transaction amounts with the Group's largest contractor accounted for approximately 36.2%, five largest contractors accounted for approximately 82.2%, of the Group's total construction cost incurred in the same period. All of the Group's five largest contractors are independent third parties. None of the Directors, any of their close associates or any shareholders that, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company had any interest in any of the Group's five largest contractors during the year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's audit, risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

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

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in Note 2 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

AUDITOR

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

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, share option reserves and retained earnings totaling approximately RMB2,808 million.

BANK BORROWINGS AND OTHER LOANS

Particulars of bank borrowings and other loans of the Group as at 31 December 2019 are set out in Note 19 to the consolidated financial statements.

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

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

The independent non-executive Directors (being Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin) have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2019. Each of the Covenantors has provided to the Company a written confirmation in respect of his/her/its compliance with the Deed of Non-Competition.

PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the Articles. Such provisions were in force during the year ended 31 December 2019 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

SECURED NOTES

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 was 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 "**2021 Notes**"). On 25 September 2019, all conditions precedent to the exchange offer were fulfilled, and the exchange offer was completed. On the same date, US$160,800,000 principal amount of the 2020 Notes was exchanged, and the Company delivered US$162,475,000 in principal amount of the 2021 Notes and US$4,466.66 in cash in lieu of any fractional amount of the 2021 Notes equal to the principal amount of the 2021 Notes not issued. For further details, please refer to the announcements of the Company dated 5 September 2019, 9 September 2019 and 26 September 2019.

Details of secured notes of the Group outstanding during the year are set out in Note 19 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Mr. Li Shifa, an executive Director and a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. Shanghai Yushuo Investment Holdings Co., Ltd. is owned by Mr. Li Shifa as to 90% and is therefore an associate of Mr. Li Shifa and hence a connected person of the Company under the Listing Rules. Shanghai Yupei Industry, Shanghai Yupei Specialty Building Materials Co., Ltd.（上海宇培特種建材有限公司）("**Shanghai Yupei Specialty Building Materials**"), Shanghai Yupei E-commerce Company Limited（上海宇培電子商務有限公司）("**Shanghai Yupei E-commerce**"), Shanghai Yupei Construction Engineering Company Limited（上海宇培建設工程有限公司）("**Shanghai Yupei Construction**"), Shanghai Yupei Express Logistics Company Limited（上海宇培速通物流有限公司）("**Shanghai Yupei Express Logistics**") and Shanghai Yupei Supply Chain all being subsidiaries of Shanghai Yushuo Investment Holdings Co., Ltd. (together, the "**Yushuo Group**"), are therefore each an associate of Mr. Li Shifa and a connected person of the Company. The 2015 Yushuo Group Transactions, the 2017 Property Lease Transactions and the 2018 Property Lease Transactions as detailed below have been entered among relevant members of the Yushuo Group as lessee, on the one hand, and relevant members of the Group, as lessor, on the other, which constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The 2017 Property Lease Transactions

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

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

The annual caps for the lease transactions contemplated under the 2017 Lease Framework Agreement and as approved by the independent shareholders at the extraordinary general meeting of the Company held on 8 June 2017 during the years ended 31 December 2018 and 2019 are RMB14,871,000 and RMB15,316,000, respectively. During the year ended 31 December 2019, the actual transaction amount was RMB14,579,000 and the annual cap was not exceeded.

The 2018 Property Lease Transactions

Reference is made to the announcement and circular of the Company dated 25 April 2018 and 23 May 2018, where the Company announced that on 25 April 2018, the Company entered into a lease framework agreement (the "**2018 Lease Framework Agreement**") with Shanghai Yushuo Investment Holdings Co., Ltd., pursuant to which the Company and Shanghai Yushuo Investment Holdings Co., Ltd. agreed that relevant members of the Group and relevant members of the Yushuo Group shall further enter into the separate lease agreements (the "**2018 Lease Agreements**") in respect of the leasing of each of the relevant premises, which exclusively includes the Four Premises and the 2018 Premises as defined in the announcement dated 25 April 2018, based on the pricing policy as set out in the 2018 Lease Framework Agreement.

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

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

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

The annual caps for the lease transactions contemplated under the 2018 Lease Framework Agreement and as approved by the independent shareholders at the extraordinary general meeting of the Company held on 8 June 2018 during the year ended 31 December 2018 and the years ending 31 December 2019 and 31 December 2020 are RMB13,172,000, RMB62,324,000 and RMB66,418,000, respectively. During the year ended 31 December 2019, the actual transaction amount was RMB41,450,000 and the annual cap has not been exceeded.

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

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

(ii) on normal commercial terms or better; and

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

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

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2019 as disclosed above has been provided by the Company to the Stock Exchange.

The transactions contemplated under the aforementioned property lease agreements also constitute related party transactions of the Company under IFRS, details of which are set out in Note 38 to the consolidated financial statements. In respect of these transactions, the Directors have confirmed that the Company was in compliance with the applicable requirements under Chapter 14A of the Listing Rules.

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

By order of the Board
Li Shifa
Chairman

Hong Kong, 24 April 2020

Corporate Governance Report

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2019.

The Board considers that during the year ended 31 December 2019, the Company has complied with the code provisions set out in the CG Code, except for code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 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.

BOARD OF DIRECTORS

Board Composition

The following chart illustrated the structure and membership of the Board and the Board committees as at 31 December 2019:

Board of Directors

Executive Directors
Mr. Li Shifa, *Chairman of the Board, President 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

Remuneration Committee

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

Nomination Committee

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

During the year ended 31 December 2019, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

Chairman and Chief Executive Officer

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

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 in succession to Mr. Pan Naiyue with effect from 26 April 2019.

Mr. Li is also the chairman of the Board 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 CG Code and maintaining a high standard of corporate governance practices of the Company.

Appointment and Re-election of Directors

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

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

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

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

Responsibilities and Delegation

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2019, the Company has provided reading materials on regulatory update to all its Directors, namely, Mr. Li Shifa, Mr. Wu Guolin, Ms. Li Huifang, Mr. Chen Runfu, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Mr. Xie Xiangdong, Mr. Huang Xufeng, Ms. Li Qing, Mr. Fu Bing, Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick, Mr. Chen Yaomin and Mr. Pan Naiyue, for their reference and studying. Besides, Mr. Huang Xufeng, Mr. Fung Ching Simon and Mr. Leung Chi Ching Frederick attended other seminars and training sessions arranged by the Company/other professional firms/institutions.

Corporate Governance Functions

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

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

Attendance Records of Directors and Committee Members

The attendance records of each Director at the regular Board meetings, Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2019 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Li Shifa	9/9	—	1/1	2/2	1/1	1/1
Mr. Pan Naiyue (Note 1)	2/2	—	—	—	—	—
Mr. Wu Guolin	9/9	—	—	—	1/1	1/1
Ms. Li Huifang	9/9	—	—	—	1/1	1/1
Mr. Chen Runfu	9/9	—	—	—	1/1	1/1
Mr. Cheuk Shun Wah	9/9	—	—	—	1/1	1/1
Ms. Shi Lianghua	9/9	—	—	—	1/1	1/1
Mr. Xie Xiangdong (Note 2)	7/7	—	—	—	1/1	1/1
Mr. Huang Xufeng	9/9	—	—	—	1/1	1/1
Ms. Li Qing	9/9	—	1/1	2/2	1/1	1/1
Mr. Fu Bing	9/9	—	—	—	1/1	1/1
Mr. Guo Jingbin	9/9	3/3	1/1	2/2	1/1	1/1
Mr. Fung Ching Simon	9/9	3/3	1/1	—	1/1	1/1
Mr. Wang Tianye	9/9	—	1/1	2/2	1/1	1/1
Mr. Leung Chi Ching Frederick	9/9	3/3	—	2/2	1/1	1/1
Mr. Chen Yaomin	9/9	—	—	—	1/1	1/1

Notes:

1. Mr. Pan Naiyue resigned as an executive Director on 26 April 2019. During the period from 1 January 2019 to his resignation date, 2 Board meetings were held.

2. Mr. Xie Xiangdong was appointed as an executive Director on 26 April 2019. Subsequent to his appointment as an executive Director, 7 Board meetings, 1 annual general meeting and 1 extraordinary general meeting were held during the year ended 31 December 2019.

BOARD COMMITTEES

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

Remuneration Committee

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

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

During the year ended 31 December 2019, the Remuneration Committee has performed the following major tasks:

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

— Recommendation of the remuneration package of Mr. Xie Xiangdong, the newly appointed Director, to the Board.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the member of the senior management other than Directors by band for the year ended 31 December 2019 is set out below:

Remuneration	Number of individual
Nil to RMB500,000	0
RMB500,001 to RMB1,000,000	1

Details of the remuneration of each of the Directors for the year ended 31 December 2019 are set out in Note 41 to the consolidated financial statements.

Audit Committee

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

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

During the year ended 31 December 2019, the Audit Committee has performed the following major tasks:

— Review and discussion of the annual financial results and report for the year ended 31 December 2018 and interim financial results and report for the six months ended 30 June 2019;

— Review the Group's continuing connected transactions for the year ended 31 December 2018;

— Review of the scope of audit work, auditor's fees and terms of engagement for the year ending 31 December 2020;

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

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

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

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

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

Nomination Committee

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

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and recommend any changes to the Board; identify qualified and suitable individuals to become Board members and select and make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors.

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

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

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

During the year ended 31 December 2019, the Nomination Committee has performed the following major tasks:

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

— Recommendation of the re-election of those directors standing for re-election at the 2019 annual general meeting of the Company;

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

— Recommendation of the appointment of Mr. Xie Xiangdong as an executive Director; and

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

OBSERVANCE OF UNDERTAKING RELATING TO LEASE REGISTRATION

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

In 2019, the Group has strictly implemented the above internal control policies and measures relating to the lease registration and had strictly complied with and fulfilled the relevant undertakings provided by the Group with respect to the registration of leases for its logistics facilities, offices and registered address as more particularly described in the section headed "Business — Licenses, Regulatory Approvals and Compliance Record — Lease Registration" in the Prospectus. As a result of the Group's dedication in the rectification of non-registration of leases, as of 31 December 2019, 8 leases out of the 321 leases for the Group's logistics facilities (covering GFA of approximately 6,640,358 sq.m.) had been registered and the Group was in the process of registering the remaining 313 leases and will take all practicable steps to ensure that such leases are registered.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities for the audit of the consolidated financial statements for the year ended 31 December 2019 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditor in respect of audit services and non-audit services for the year ended 31 December 2019 are analyzed below:

Type of services provided by the external auditor	Fees paid/ payable (RMB'000)
Audit services:	
Audit fees for the year ended 31 December 2019	3,600
Non-audit services:	
Interim review and others	1,000
Total:	4,600

COMPANY SECRETARY

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Address:	No. 1899, Shenkun Road, Minhang District, Shanghai, China (201106) (For the attention of the Chairman of the Board)
Fax:	(86 21) 6627 7717
Email:	marketing@yupeigroup.com

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

The Company has not made any changes to the Articles during the year ended 31 December 2019. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Period and Scope

China Logistics Property Holdings Co., Ltd ("**CNLP**", together with its subsidiaries collectively referred to as the "**Group**" or "**We**") is pleased to publish our Environmental, Social and Governance ("**ESG**") Report (the "**Report**") for 2019. Unless otherwise specified, this Report covering the period from 1 January 2019 to 31 December 2019 (the "**Reporting Period**"), mainly outlines our strategies, measures and performance regarding sustainable development of our Shanghai, Beijing and Hong Kong offices and 30 logistics park projects with operational control. The Report is published in Chinese and English. If there is ambiguity or inconsistency between two versions, the Chinese version shall prevail.

Reporting Standards

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

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

Confirmation and Approval

Principle	What it means	Response of the Group
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the aspects that affect the assessments and decisions of stakeholders.	When identifying material sustainability issues for the Group, in addition to taking into account the nature of business and development factors of the Group, we also analyze the opinions of various stakeholders.
Quantitative	This Report should disclose key performance indicators in a way that is measurable.	As far as practicable, the Group discloses its key environmental and social performance indicators with quantitative measures.
Balance	This Report should present the positive and negative information of the Group in an objective manner, to reflect the sustainable development performance of the Group as a whole.	The Group has identified and disclosed the environmental, social and governance issues that have significant impact on the Group's business in this Report, which include the achievements it has made and the challenges it faces.
Consistency	The Group should confirm that the method used in preparation of the ESG Report is consistent with that adopted for the prior year, or state the revised reporting methods, or illustrate other relevant factors that will affect meaningful comparison.	The reporting scope and reporting method are substantially consistent with those of the prior year, and explanations have also been provided for changes in the reporting scope for the year.

Reference made in this Report is sourced from the official documents, statistical data, and management and operation information of CNLP collected according to the systems of the Group. The content of this Report has been reviewed and approved by the Board of Directors of the Company in April 2020.

Your Opinion

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

MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

On behalf of the Group, I am pleased to present our 2019 Environmental, Social and Governance Report. During this year, while fulfilling our social responsibilities, promoting sustainable development and creating value for employees, shareholders and investors, tenants, suppliers, governments and communities, the Group is also committed to improving and providing the highest quality services, and continues to expand our logistics assets portfolio to a total size of 10,000,000 square meters, in order to become the largest supplier of high-quality logistics facilities in China.

"What we take from the society, we utilize them for the society". We do everything we can to give back to the community, solve the urgency issues for the community, fulfill our responsibility as a member of the community, promote the development of the community and maintain the peace and harmony of the community. As the economy shifts to high-quality development and with the increasing attention paid by society to corporate responsibility, environmental protection, and the overall well-being of the community, we are convinced that sustainable development is the important foundation for the continuous expansion of a high-quality national network and the maintenance of relationships with employees, shareholders, customers, and suppliers for the Group. Therefore, we research, promote and adopt measures to implement environmental, social and governance requirements, so as to fully reflect the sustainable development in our strategy and operations.

The environment and climate change are closely related to us. We must do our part, implement the green development and operation policy, and strive to cooperate with the government policy for environmental protection of China, reduce greenhouse gas emissions and our impact on the environment, and contribute to the protection of the environment. Meanwhile, in response to climate change, we have also enhanced relevant responses to reduce the impact of extreme weather on customers and employees.

Employees are the key assets and competitiveness of the Group, as well as an important driving force for the execution of business strategies. We uphold the principle of anti-discrimination, and we are committed to providing employees with a safe, healthy and friendly working environment and good training and development prospects, in order to develop and share results with employees.

In order to strengthen the relationships between various stakeholders and to better understand the evaluations and expectations of different voices so as to more effectively adjust business strategies to respond to their needs, we normally use various communication channels in our daily operations, such as questionnaire, electronic survey, annual reports, meetings, site visits and regular dialogues to maintain contact and communication with the relevant parties on an on-going basis. We will discuss the issues most concerned by our stakeholders in different sections of this Report.

Looking forward, we will uphold the spirit of "Ceaseless self-improvement, learning and innovation". Meanwhile, sustainable development will continue to be the focus of the corporate development strategy of the Group, leading us to create value for all stakeholders and the wider community in China.

Mr. Li Shifa
Founder, Chairman, President and Executive Director
April 2020

OUR BUSINESS

About CNLP

As one of the largest developers and operators of logistics infrastructure in China, we strive to provide high-quality, efficient, reliable and standardized logistics and warehousing services, by ensuring that we have taken the first-class warehouse design standards and customers' demands into consideration for the designs and services of each step from design to operation. As of 31 December 2019, our network of logistics parks covers 18 provinces and municipalities across the PRC, which positions our customers well to benefit from the nationwide logistics advantages. Our strategic geographical layout, first-class logistics facilities and high quality service have become the core strengths of our business sustainability.

Total floor area of logistics parks completed

3.4 Mm^2

(The picture on the right is Shenbei Park)

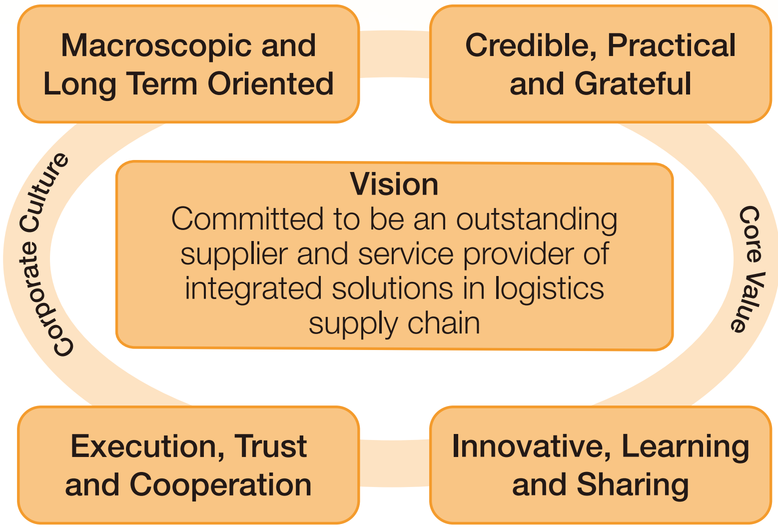
Total area reserved for development

0.6 Mm^2

Total area of logistics parks under construction

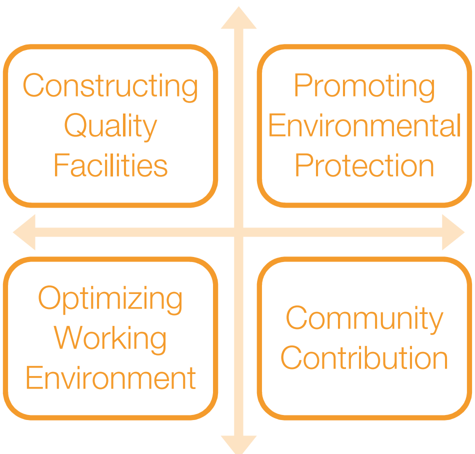
0.6 Mm^2

Corporate Culture



Our Approach to Sustainable Development

We ensure that we take full account of environmental, social and corporate governance factors in our operations and integrate them into our management model to establish the sustainable competitiveness for the Group. We continue to optimize our governance strategies on related issues, and formulate important factors of various areas, such as environmental performance, social contributions and relationships with stakeholders that must be considered when responding to corresponding policies and goals.



Stakeholder Communication and Engagement

In order to understand the expectations and opinions of the different stakeholder groups on the sustainable development of the Group, we maintained two-way communications with internal and external stakeholders to reinforce sound relationships and build up mutual trust through various communication channels in our daily operations, such as annual reports, meetings, site visits and regular dialogues. By understanding their views, we can adjust our operation model more effectively and reflect sustainable development considerations more comprehensively.

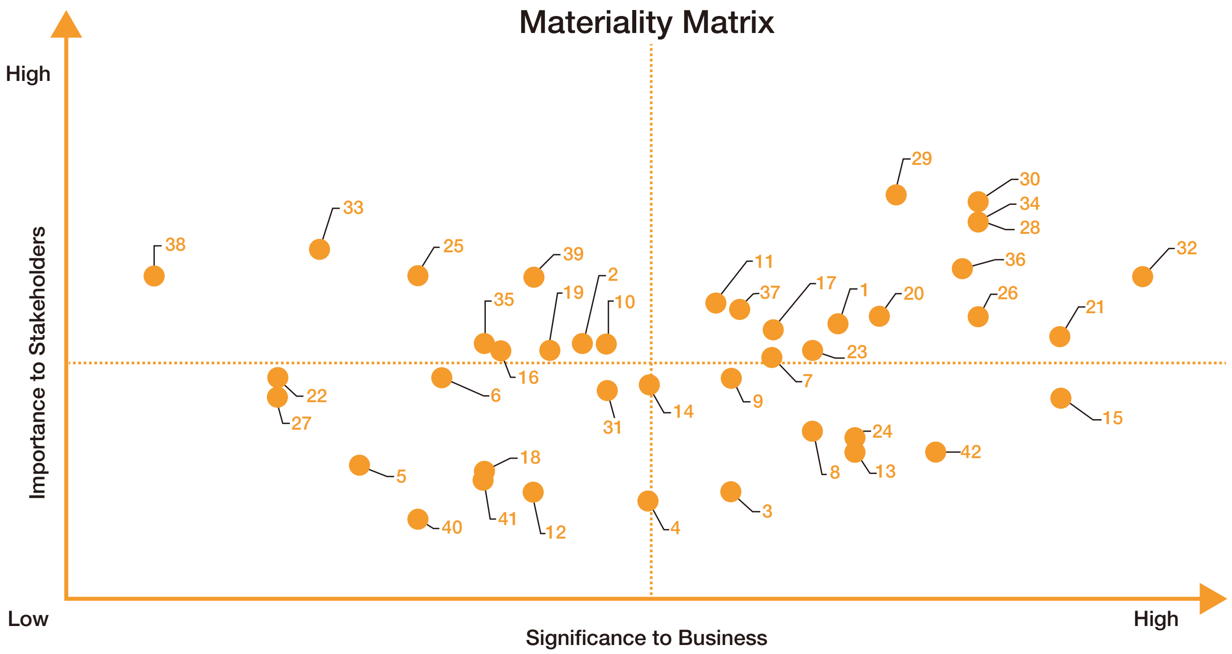
2019 Materiality Assessment and Analysis

Through the materiality analysis, a total of 42 ESG topics were identified as the core sectors for assessment this year. In order to more accurately analyze the stakeholders' expectations for the environmental work of the Group, this year, we split the environmental aspect into two major areas, that is "the construction of logistics parks and the environmental protection at the construction sites" and "the environmental protection during the daily operation of the parks and the office", so the topic number has increased compared with that of 2018.

During the year, we collected evaluations and expectations of stakeholders in respect of our environmental, social and governance performance through an online survey. Meanwhile, we determined the importance of the identified ESG topics to help us prepare this Report for this year and to formulate future development policies on environmental, social and governance.

We mapped the matrix of materiality based on the results of the stakeholder opinions to reflect the relative importance and impact of the 42 issues to our stakeholders and our business. This year, 15 topics were identified as material. The three major important areas identified by the stakeholders are: (1) Facilities Specifications; (2) Environmental and Social Performance Assessment of Suppliers; and (3) Customer Services. The materiality matrix reflects the views of our stakeholders and serves as the basis for our preparation of this Report, and we will respond to and elaborate on the issues of concern to various stakeholders in different sections of this Report.

2019 Materiality Matrix



Issues within the top-right corner of the Matrix are considered to be material to the business development of the Group and most concerned by the stakeholders.

The construction of logistics parks and the environmental protection at the construction sites

1) Project Environmental Impact Analysis
2) Construction of Green Warehouse
3) Exhaust Gas Emission Management
4) Greenhouse Gas Emissions Management
5) Noise Pollution Management
6) Wastewater Management
7) Hazardous Waste Treatment
8) Treatment of Construction Waste and Other Non-hazardous Waste
9) Use of Natural Resources
10) Water Conservation Measures
11) Energy Conservation Measures

Operating practices and responsibilities

21) Suppliers Management Process
22) Supplier Environmental and Social Performance Assessment
23) Anti-Fraud and Corrupt
24) Intellectual Property
25) Emergency Response Plan
26) Supervision of Construction Quality
27) Technology Research and Development
28) Customer Satisfaction
29) Logistics Park Security and Safety
30) Customer Services
31) Marketing and Advertising Management
32) Facilities Specifications

The environmental protection during the daily operation of the parks and the office

12) Exhaust Gas Emission Management
13) Noise Pollution Management
14) Wastewater Management
15) Hazardous Waste Treatment
16) Treatment of Household Refuse and Other Non-hazardous Wastes
17) Use of Natural Resources
18) Greenhouse Gas Emissions Management
19) Water Conservation Measures
20) Energy Conservation Measures

Quality of work environment

33) Employee Benefits
34) Safety and Health of Employees
35) Anti-discrimination, Diversity and Equal Opportunities (age, gender, disability, etc.)
36) Occupational Safety and Health
37) Training and Development
38) Prevention of Child and Forced Labour
39) Employment Relationship and Communication with Employees

Community contributions

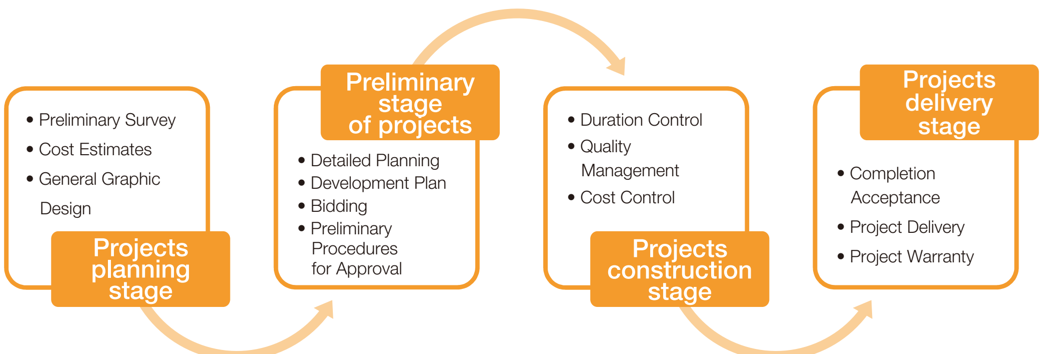
40) Participation in Voluntary Work
41) Charitable Donations
42) Organization of Public Welfare Activities

IMPROVE ENVIRONMENTAL MANAGEMENT

The Group adheres to the mission of "benefiting the world" and is committed to reducing the environmental impact and emissions of the construction and operation of logistics parks. Meanwhile, it is fully prepared to respond to climate change, create value for the environment, add value for customers, and establish good reputation and business competitiveness for the long term. As an important infrastructure for regional economic development, we ensure that we take full account of the environmental factors in every decision-making process in the construction and operation of the logistics park, and proposes countermeasures and management measures for the comprehensive consideration.

Sustainable Development and Construction

Adhering to the business philosophy of "Co-Op, Co-Win", we are committed to integrating into the community where the logistics park is located, ensuring that every detail of the project is comprehensively and thoroughly evaluated, and reducing the impact on the surrounding environment and society, in order to create value and achieve win-win development with the community. To this end, we have deliberately compiled the Project Development and Construction Management System, which divides the development and construction of logistics park projects into four key stages while stating clearly the matters that each department should pay attention to at each stage and their relevant responsibilities.



Early Project Impact Analysis

Since logistics parks are one of the important infrastructures for regional economic development, we are prudent on site selection, as logistics parks occupy relatively large spaces and the locations of logistics parks are crucial to the local economic development and the long-term development and positioning of the Group. The target strategic cities with well-established transportation facilities are our top priority in site selection, which enables us to optimize our resources utilization and reduce the impact on environment and surrounding communities during operations such as transportation. At the preliminary preparation stage of projects, we engage qualified third parties to conduct site visits and assessments in respect of locations of target projects in strict compliance with relevant environmental regulations such as the Environmental Protection Law of the PRC and the Environment Impact Assessment Law of the PRC. The engaged party shall analyze the environmental pollution and ecological damages that may cause during the development of projects, including impact on air, geology, water quality, noisy environment, ecological environment and biodiversity. The report would be finally submitted to the local environmental authority for approval. We only start the construction once the project is approved.

Environmental Protection Measures to Reduce Construction Impact

To reduce and effectively control the impact on surrounding environment and community during the construction process, we formulate The Measures for the Environmental Protection at Construction Site and establish the principle of "Three Simultaneities", that is, pollution prevention and control measures which need to be implemented for the project in the environmental impact assessment report are designed, constructed and operated simultaneously with the mainbody construction of the project, in strict accordance with the Environmental Protection Law of the PRC. The Measures also detail various awareness training measures and monitoring procedures that should be executed and observed during construction.

In order to remind employees of the principle of environmental protection adopted in daily operations, we have different posters placed at the construction site disseminating environmental protection-related measures. We will also provide employees safety and environmental protection education and trainings in respect of measures to protect heritages, cultural relics and ancient trees in the construction areas, in order to reduce the damage to the land vegetation and natural resources or buildings with historical value in the construction area.

In addition to training, we also require contractors to implement construction by laws and strictly control the impact according to the requirements under the relevant environmental impact assessment report. We also regularly check and inspect the performance of relevant measures and projects in accordance with the internal Project Development and Construction Management System and Regular Inspection Procedure for Project under Development, and ensure that the construction site meets various requirements.

All the exhaust gas and sewage produced during construction period must be treated before emission, to make sure the emissions meet the regulatory safety level. We inspect the emission reduction processing equipment periodically. We also properly record all environmental quality test results, such as dust, construction noise and so on, to monitor our environmental protection performance during the construction period. The performance in each aspect shall be compared with the Environmental Impact Assessment report to make necessary updates. The relevant measures and standards are as follows:

Air Pollution Management

In order to ensure that the exhaust gas and dust generated in the project meet the relevant national air quality standards such as the Law of the PRC on the Prevention and Control of Air Pollution and the Integrated Emission Standard of Air Pollutants, we require project contractors to implement the recommendations in the Environmental Impact Assessment report and conduct regular checks. In response to the dust problem, we have adopted a series of measures, including:

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

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

Noise Pollution Management

The major sources of noise during construction in the parks come from construction machines and vehicles. Based on the Emission Standard of Environment Noise for Boundary of Construction Site and the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise, we implement the following targeted measures:

- reasonably schedule construction timetable as well as reduce the duration of construction work during the night to minimize the impact on the nearby communities;

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

- to comply with the Type 3 standard under the Emission Standards for the Noise at the Boundaries of Industrial Enterprises of less than 65 dB during daytime and less than 55dB during nighttime, we specially set up on construction sites the closed shelters to place electric saws, planers, mixers, fixed concrete pumps, large air compressors and other equipment generating extensive noise, and make the shelters far away from the residential area as far as possible; and

- use machines and equipment with qualified noise emission standards during the construction, and utilize noise elimination devices during the operation of the machines and monitor noise level to ensure that it meets the national Environmental Quality Standards for Noise or other local noise emission standards.

Wastewater Management

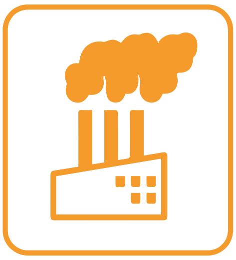
The wastewater generated during construction are mainly domestic sewage and that used to wash vehicles and sedimentation ponds. In strict accordance with the processing standard for sewage and foul odor stated in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant and the Reuse of Urban Recycling Water — Water Quality Standard for Urban Miscellaneous Water Consumption, we strictly forbid discharging wastewater onto the ground surface directly. All the sewers on our construction sites are connected with ceramics and smeared with impervious cement paste to prevent sewage permeation and thus polluting underground water.

Waste Management

We strive to follow an environmental protection philosophy of reducing waste at source and classifying garbage for recycling to reduce our impact on the environment and fulfill our responsibility as a corporate citizen. Our solid waste management during the construction is complied with the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes and other relevant requirements. Solid waste generated during construction is mainly classified into three types, namely domestic garbage, construction waste and earthwork. We provide classified recycling containers at construction sites to encourage our staff to collect recyclable solid waste, such as papers, scrap steel materials, etc., which are then delivered to qualified recyclers. Excess earthworks and construction materials are backfilled on the sites where they are generated, whereas the waste that cannot be recycled or reused are collected by environmental protection authorities for proper central treatment to prevent secondary pollution.

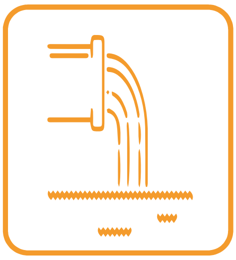
Resources Management at Construction Site

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



Energy-saving measures

- In order to effectively monitor the power consumption, we install electricity meters at project sites and sub-meters in construction and living areas, and assign specialists to conduct routine meter reading for further analysis;
- We prefer energy efficient construction machinery and energy saving systems; and
- We require our staff to switch off idle construction machinery, lighting and air conditioning to reduce waste.



Water-saving measures

- We install water meters to monitor water usage and prevent leaks;
- We assign personnel responsible for regular inspection of water leakage for the construction areas;
- We use water saving valves at construction sites; and
- We utilize precipitation from foundation pit for dust reduction, vehicle washing, toilet flushing, concrete curing in structural construction and construction water in secondary renovation.

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

SUSTAINABLE QUALITY OPERATIONS

Exhaust Gas Emission Management

The exhaust gases generated by logistics parks in the normal course of business mainly come from backup generators and gas-fired boilers. In order to further reduce the direct emissions of the Group, we also encourage employees to choose public transportation, thereby reducing exhaust gas emissions from self-driving.

The 3rd Tree Planting Day of "Plants for the Earth and Colors for Yupei" was successfully held

When building a logistics park, we must adhere to the concept of environmental protection, take sustainable development as the principle, and pay attention to environmental protection and corporate development. During the year, we held the 3rd Tree Planting Day to do our part. The executives present planted an osmanthus tree which symbolized nobleness and beauty in Wuxi Park, and advocated that every employee of the Group should also actively participate in environmental protection actions, share green responsibilities, and spread green civilization side by side.

Waste Management

The major non-hazardous wastes generated by us during the normal course of business are household refuse and office paper, which are handled by qualified professional cleaning companies every day, whereas the wastes generated by our customers and other related parties are processed by qualified third parties engaged by them under contracts and relevant laws and regulations.

We provide recycling facilities in each logistics park to facilitate the recycling of logistics park users and work together to reduce discharge of wastes.

To reduce generation of wastes in our daily operation, we encourage staff to economize paper and adopt double-sided printing wherever possible to conserve resources. We also place recycling bins and provide clear guidelines to encourage recycling of waste paper. In addition, we provide tenants the guidelines for waste reduction regularly and to remind and encourage them to fully utilize the waste separation and recycling facilities in the logistics parks.

Energy Management

Under the principle of few consumption, high efficiency and low emission, we have formulated different energy saving and emission reduction measures, to effectively reduce the electricity consumption of the Group. In addition to providing staff the relevant training and posting environmental protection reminders in offices (such as at switches and the doors), we are also actively studying introduction and use of renewable energy for more suitable logistics parks. During the Reporting Period, 41.7% of the total electricity consumed in Wuhu and Jiaxing Logistics Parks was solar energy, and part of the output was connected to the power grid of the parks and then sold to the local grid, contributing what we can do for local environmental protection.

Water Management

Water conservation is also a key issue in our daily operations to reduce environmental impact. We adopt the principle of "who uses or pollutes, who pays" in logistics parks where tenants of our parks are charged based on their sub-meters to encourage water conservation and reduce wastes. We provide proper staff training and make use of water-saving reminders in offices to change the habitual behavior of our staff and enhance their awareness of water conservation. In addition, we collect rainwater and implement drip irrigation for plant watering in some parks to reduce water consumption effectively. Our water is purchased from tap-water companies and we have no problem in sourcing suitable water during the Reporting Period.

Environmental KPI Summary

Description	Unit	Figure for 2019	Figure for 2018
Greenhouse Gas ("GHG") Emission			
Total GHG emission	tCO_2e	**4,530.19**	2,858.23
Direct emission (Scope 1)	tCO_2e	**115.90**	182.85
Indirect emission (Scope 2)	tCO_2e	**4,513.60**	2,773.66
Emission reduction (Scope 1)	tCO_2e	**99.31**	98.28
Total GHG emission per sq.m. (Scope 1 & 2)	tCO_2e	**0.011**	0.014
Air Emission			
Nitrogen oxides (NO_x)	kg	**103.13**	159.65
Sulphur oxides (SO_x)	kg	**17.15**	29.15
Particular matters (PM)	kg	**5.75**	6.31
Non-hazardous Waste			
Total non-hazardous waste	tonnes	**3,091.00**	3,974.78
Non-hazardous waste per sq.m.	tonnes	**0.007**	0.019
Energy			
Total energy consumption	MWh	**7,192.51**	5,071.45
Purchased Electricity	MWh	**6,417.90**	4,052.34
Solar Energy Purchased	MWh	**236.52**	149.38
Diesel	MWh	**9.75**	11.64
Natural gas	MWh	**450.15**	774.22
Petrol	MWh	**78.19**	83.88
Total energy consumption per sq.m.	MWh	**0.017**	0.024
Water			
Total water consumption	m^3	**63,364.45**	46,389.50
Water consumption per sq.m.	m^3	**0.148**	0.224

* During the Reporting Period, the environmental key performance indicators (KPI) cover our (i) Shanghai Office, (ii) Beijing Office, (iii) Hong Kong Office; and (iv) the 30 logistics parks with operational control and in operation while only 28 logistics parks and the three offices are covered in the reporting period of 2018.

** The environmental KPIs cover the tenants' area, public area and equipment, maintenance and property management equipment. The KPIs are calculated based on the constructed area of the logistic parks (excluding the leased area) while per square meter (excluding the leased area) is used for calculating KPIs involving intensity.

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

**** Water consumption does not include our offices in Beijing and Hong Kong as the water supply is controlled by the property management and data is unavailable to individual tenants.

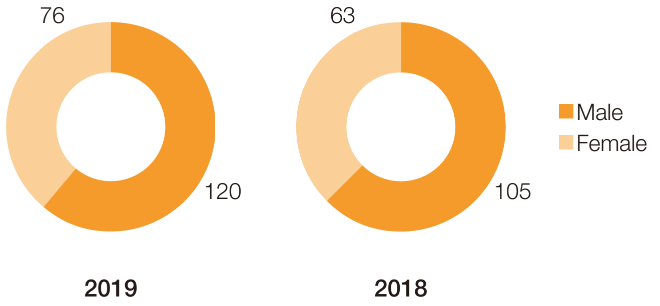
CREATING VALUE FOR EMPLOYEES BASED ON THE PEOPLE-ORIENTED PRINCIPLE

Under the Group's human philosophy of "People-Oriented and Virtue Guided", we recognize that employees are our most important asset to maintain our competitive strength and contribute to the success of the Group. We endeavor to provide a safe and fair working environment to enable our staff to grow with us and strive for excellence, and fully implement our approach in terms of recruitment, welfare and working environment.

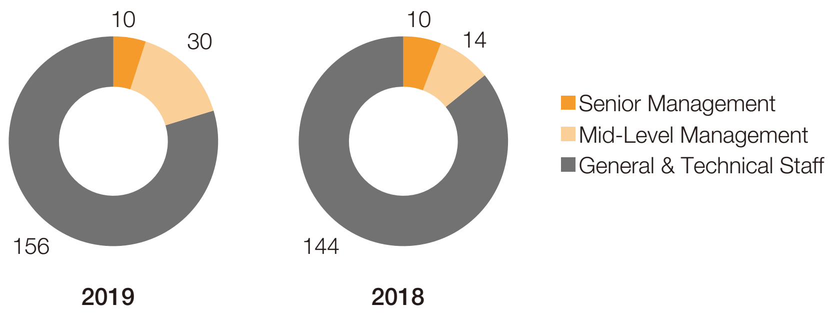
Fair Recruitment

As an employer providing equal occupation opportunity, the Group recruits talents based on the principles of "open recruitment, equal competition and merit-based". We adhere to the concept of fair, open and diversified employment. Only candidates' abilities, experiences and qualifications will be considered during the recruitment process, regardless of their age, gender, race, colour, sexual orientation, religion, nationality, disability or marital status to ensure that they are treated fairly. As at 31 December 2019, the Group employed a total of 195 full-time staff and 1 part-time staff.

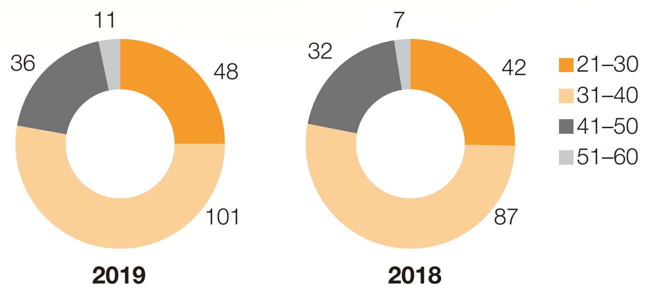
Employee Distribution by Gender



Employee Distribution by Employee Category



Employee Distribution by Age Group



Optimize Remuneration and Benefits

By reviewing and updating our remuneration and benefits policies regularly, we endeavor to provide all our staff with competitive and comprehensive benefits and protections, and review and update such policies regularly. We strictly adhere to the Labor Law of the PRC (the "Labor Law") and the Labor Contract Law of the PRC to provide our staff with pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance and housing provident fund ("five insurances and one housing fund"). All employees are treated equally in the procedures of recruitment, job adjustment and promotion. We provide fair treatment to all employees and adopt the same performance assessment criteria to ascertain that employees are granted with equal opportunity for promotion and development.

The Company determines specific remuneration based on the employees' individual ability without any gender discrimination. The remuneration packages comprise basic salaries and performance bonus. The income structure of certain staff in special positions is adjusted according to actual circumstances. In addition, bonus is offered to employees based on department performance and individual performance to effectively incentivize our employees. Other benefits include bereavement leave, marital leave, maternity leave, antenatal checkup leave, compensatory time off and short working hours for lactation period, etc. Details are listed in the Staff Handbook to ensure the openness and transparency of relevant policies.

The Group attaches importance to the exchange and interaction with the employees. They can keep abreast of the Group's development via WeChat platforms to enhance their sense of belongings. To maintain the physical and mental health of our employees, the Group organizes travelling trips at least once a year to foster communication among employees. Ball games are also regularly organized to encourage the employees to strengthen physical exercise in their spare time, prevent the potential physical problems caused by long office works, enrich leisure life and relieve work pressure of our employees. Gifts are distributed to employees during festivals such as Dragon Boat Festival and Mid-autumn Festival, to make sure that they would enjoy the festivals with caring from the Group.

"Join and Exercise Makes Me Happy"
One-Hour Funny Games at Noon

Based on our talent philosophy of "People-Oriented", we actively encourage all employees to do exercise and promote balance between work and life.

In October, we organized the noon-time games. In addition to archery and shuttlecock kicking, we also organized activities under the subject of waste sorting to train our employees to segregate waste with high accuracy, which fully reflected the Group's effort in implementing and promoting waste sorting. All employees strived for excellence and showed their team spirit in both individual and team exercises.

Working Environment Complied with Laws and Regulations

Elimination of harassment and discrimination is important for facilitating the employees to utilize their abilities and develop their career. We have put in place a complaint system to safeguard our staff, so that they can complain and seek for help at the very first time. We also have a well-defined employment standard, and object to hire child labour and forced labour in compliance with the Labour Law. We recognize the significance of work-life balance of our staff, and do not encourage our staff to work overtime. We have clearly stipulated that all overtime work requires prior approval, and employees who work overtime would be offered compensation leave equivalent to the number of days of the overtime work, to ensure they have sufficient rest time. During the Reporting Period, there is no reported case of child labour or forced labour.

Actively Ensuring the Health and Safety of Employees

The health and safety of the employees is our top priority. To safeguard their physical and mental health, we are committed to providing a safe and comfortable working environment. Cleaning and inspection are conducted every 2 to 3 hours averagely in office areas. In addition, we also provide annual body check to our staff to ensure that they are in sound physical condition. Moreover, to ensure the safety of our staff in emergency, based on the idea of "prevention as priority combined with fire control", we formulate the Fire Safety Management Measures which clearly set out the responsibilities of different roles and positions in respect of fire prevention, and conduct regular fire drills to fully ensure the safety of our staff.

Continuous Training and Development

We rely on our staff to maintain our service quality and competitiveness. As such, we actively provide training and assistance to our staff to facilitate their personal development and support the Group's plans and development requirements in different stages, thereby establishing the corporate image and culture of continuous innovation and development. Our training mainly focuses on two aspects, namely professional skills and profession quality. We enhance the competitiveness of our staff by providing appropriate internal and external trainings. We provide various kinds of trainings based on the requirements of our strategic development, which can be divided into three levels:

Strategic Level	• Knowledge and skills required for effective operation of enterprise in the future.
Corporate Level	• Identify existing problems by analyzing the objective, resources and environment of enterprise and provide targeted trainings.
Staff Level	• Determine the method and content of training based on the comparison between current performance and expected performance of staff.

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

"New Start, New Leap and New Brilliance" — 2019 Working Meeting

As the old saying goes, the whole year's work depends on good planning in spring. At the beginning of the year, we held the annual working meeting at our headquarter attended by leaders of different levels, department heads and certain employee representatives. At the meeting, we summarized the working performance of 2018, announced our working plan and requirements for this year, and reiterated our strategic approach of "focusing on and extending the industrial chain, creating the innovative chain and establishing the value chain".

At the working meeting, we also granted awards to the staff, managers and entities with outstanding performance and contribution in 2018 to fully recognize their hard work and encourage the staff to keep up the good work and strive for excellence.

CREATING VALUE WITH EFFECTIVE GOVERNANCE

Operation with Probity, Compliance with Laws and Anti-corruption

Under the Group's core business philosophy of "Providing services with honesty and integrity", we have established a comprehensive regulatory mechanism which covers both internal and external factors to ensure the compliance with the laws and regulations relating to anti-corruption, business ethics and anti-money laundering such as the Criminal Law of the PRC and the Anti-Unfair Competition Law of the PRC, and further strengthen the Group's sustainable competitiveness. We endeavor to build a corporate culture of integrity, and are committed to eliminating malpractice and fraud.

To consolidate the Group's internal culture of probity and anti-corruption, our Staff Handbook clearly sets out our probity requirements of forbidding any kind of commercial bribery, corruption and misappropriation of our properties. We also conduct regular trainings to remind our staff of the importance of probity. Moreover, we have prepared the Probity Code of Conduct to outline our requirements on employees' works and code of ethics. We also provide probity training to new employees and require them to sign the Probity Code of Conduct and learn the Group's regulations and requirements of compliance with relevant financial disciplines and anti-corruption and anti-bribery regulations related to abuse of power and actions to damage the Group's property and interests, thereby establishing the right value system and corporate culture. We have also set up complaint and whistleblowing channels to accept any complaint of non-compliance from both internal and external sources to create an honest, fair and impartial enterprise atmosphere. To protect the legitimate rights and interests of the whistle-blowers and ensure the effectiveness of whistleblowing channels, we keep strict confidential system to ensure the whistle-blowers and reporting content covered in safety. Externally, we also clearly convey our requirements on moral integrity and discipline to suppliers and business partners and resolutely resist business bribery.

During the Reporting Period, the Group is not aware of any litigation brought up against the Group or its staff in relation to corruption, bribery, extortion and money laundering.

Realizing Value of Supply Chain

Suppliers are closely related to our operation and are important factors to maintain the Group's long-term competitiveness. The ethics and performance of suppliers may indirectly affect the quality of our services and products, and may also impact the reputation and competitiveness of the Group. As such, it is critical to select the suppliers which share with the Group the same concept and value of sustainable development and view the environmental and social practices as their own obligation.

Major supplies and services provided by our suppliers included (i) contracted construction service of logistic parks, (ii) materials for daily maintenance of the parks, and (iii) administrative supplies. In order to select partners to create green and sustainable economic value with us, while selecting appropriate suppliers, we will understand their qualifications and reputation. In negotiating contracts with the suppliers, we will also clearly explain the requirements under our Suppliers Code of Conduct in respect of occupational health and safety, ethics, laws and regulations, and only grant contracts to those suppliers which acknowledge and sign the Suppliers Code of Conduct.

For contractors of contracted construction service, in addition to the inspection as described in "Environmental Protection Measures to Reduce Construction Impact", when signing contract, we will also emphasize construction in any necessary compliance, implement the measures required in the Environmental Impact Assessment report and regularly report the effectiveness. To ensure the occupational safety and health of relevant staff, we apply to the safety regulatory authorities for registration of construction safety supervision in the preliminary planning stage of projects, and require the contractors to sign the Construction Contract of Construction Works and make undertaking on implementation of requirements set out in the contract related to working hours and rest hours of on-site construction workers and labour protection to prevent dust, control harmful gases and ensure workers' safety when working at height.

We have also established various rules and policies such as the Construction Site Safety Management Policy and the Safety Inspection Policy, and assign supervisors to inspect various aspects of the construction work during construction period to ensure the safety and quality of environmental hygiene of the construction site.

Upon completion of projects, our Inter-Department Review Committee would conduct an overall analysis and evaluation on the construction progress, quality and cost of construction contractors, and give them a comprehensive rating. Based on the relevant evaluation, we advise contractors who fail to meet our expectation to make improvement, and disqualify those contractors who are unable to make improvement from participating in future tenders, so as to further enhance the quality of our contractors.

CREATING VALUE FOR CUSTOMERS

Warehouse Facilities with First-Class Quality

Quality warehouse is the foundation of service quality. We highly value the construction quality of constructors, require construction contractors to strictly follow the construction drawings and plans and implement the recommended measures in the Environmental Impact Assessment report. We also strictly implement the on-site signing and verification procedures to ensure the accuracy and truthfulness of construction figures and prevent skimping. The Group has established and implemented the Project Development and Construction Management System, which clearly states construction plans, construction drawings and the review and approval processes required for various professional technical solutions, to ensure that the processes and corresponding responsibilities are clearly communicated to each relevant entity. We have also established the Construction Quality Management System which clearly sets out the responsibilities and matters that need attention of different departments, such as strengthening on-site management of raw material and strictly conducting sample tests on major raw material used in construction sites, to ensure the quality of construction. To ensure contractors' compliance with relevant agreements, the Group will assign quality inspectors to conduct regular on-site inspection. In addition, our quality inspectors, project managers and construction engineers are required to submit inspection reports on a regular basis to ensure correct operation during construction. The construction management and engineering department of the Group also carries out spot checks on the construction work of the logistics park projects and submits inspection reports to senior management for review.

Comprehensive and Considerate Management Services

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

Logistics Park Security and Protection

Quality services is conditional upon protection of customers' assets. We track and improve our service quality by conducting risks assessment and communicating with each stakeholder, and formulate various policies to safeguard customers' assets. To guarantee the security of logistics parks and speed up the response to contingencies, all logistics parks are equipped with surveillance systems which are monitored by security guards and monitors around the clock. The image of surveillance system can only be acquired and viewed by authorized person and will be deleted after being kept for a certain number of days, in order to ensure that customers' privacy is protected.

To fully strengthen the safety risk management, the Group has formulated the Safety and Security Regulations to adopt safety measures on a 24-7 basis, such as security patrol, entrance-exit registration and fire monitoring system. Except for designated areas, it is prohibited to use fire or to bring dangerous goods including inflammable, explosive and highly toxic materials into the logistics parks. According to the Administrative Measures for Fire Safety formulated by the Group, all logistic parks are equipped with fire extinguishers and protective clothing as an additional safety measure. We also set up smoking areas in the logistic parks for smokers to prevent fire safety problems caused by tossing cigarette butts. It is also prohibited to release toxic gases or generate noise and vibration above prescribed levels to ensure environmental safety in the logistics parks.

The Group strictly adheres to the national laws and regulations related to safety of the logistic parks, such as the Fire Services Law of the PRC and the Production Safety Law of the PRC. To enhance employees' ability to cope with emergencies and protect life and property in the parks, the Group has formulated and implemented the following emergency plans: Security Contingency Plan, Dangerous Goods Leakage Contingency Plan, Fire Contingency Plan, Traffic Accident Contingency Plan, Public Health Emergencies Contingency Plan. Regular drills are also conducted to improve the general ability of responding to emergency.

Case Sharing: Building Additional Drainage Wells to Fully Protect the Safety of Employees and Safeguard the Assets of Customers

Due to climate change, the maximum instantaneous rate of rainfall in certain regions may exceed the capacity of local drainage system, which may cause flooding in certain logistic parks and poses great threat to customers' assets and the safety of employees in the logistic parks.

To ensure that the logistic parks are able to withstand extreme weathers, thereby safeguarding customers' assets in the warehouse, in addition to strengthening the existing emergency system, we have also built additional drainage wells in certain logistic parks to temporarily store the water from heavy rainfall in underground system, effectively reducing the chance of surface flooding.

Customer-Oriented and Caring Services

We strive to maintain the highest standard of safety, security and environment requirements, continuously improve the customer experience and strengthen the communication with our customers. To further understand the needs of customers, we communicate and work closely with our customers, value their appraisals and suggestions, and provide tailor-made integrated value-added solutions to maximize the benefits of customers and ensure that customers' instinct needs are satisfied. In addition, we regularly invite customers to experience and then rate our services in terms of the hardware and software in the logistic parks, to ensure that we can maintain the highest service quality. During the Reporting Period, in order to provide customers with more comfortable working environment and optimize the service quality of our parks in general, our logistics parks has not only made active efforts to improve environment conditions and expand planting area, but also established special inspection teams so as to find out our defects in environment and management of the parks on a timely basis.

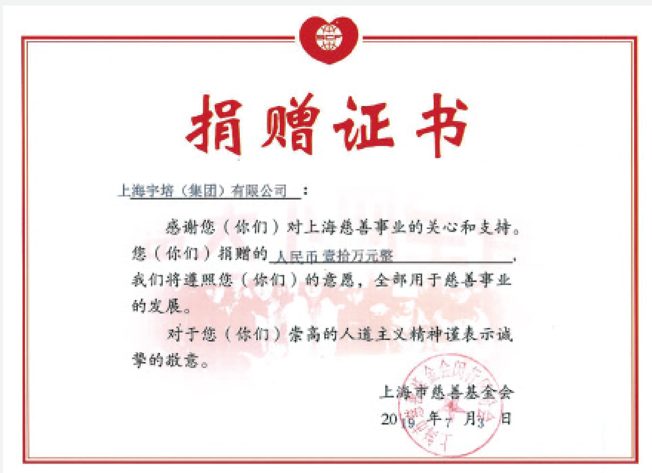
Privacy Protection

We pay attention to customers' privacy and internal confidential information during our course of operation. To protect the interest of all parties, we keep the confidentiality of all the internal information relating to customers and the Group, such as customer information, filing information of the parks, company internal information, and personal data of property management employees by way of encryption, and keep such information in the place where only designated personnel can access. Any personnel shall complete necessary internal approval procedures of the Company before acquiring, using or forwarding relevant confidential information to ensure data security. All employees are required to sign a confidentiality agreement upon commencement of their employment to prevent any unauthorized disclosure of confidential company information or other undisclosed business operation information and property information to third parties in any way, and violators will be punished according to the Rewards and Punishment Management Policy.

SERVING THE PUBLIC AND CONTRIBUTING TO COMMUNITY

The Group's mission is to contribute to the society and actively assume its social responsibilities as a corporate citizen. We actively approach the communities and the government of the places where we operate to understand their needs, and organize different activities and cooperate with various charitable organizations to satisfy the needs of the public and provide assistance to people in need.

Offering Warmth and Care by Making Donation to Schools in Poverty Areas in Baoshan, Yunnan Province


捐赠证书

上海宇培（集团）有限公司：

感谢您（你们）对上海慈善事业的关心和支持。您（你们）捐赠的人民币壹拾万元整，我们将遵照您（你们）的意愿，全部用于慈善事业的发展。

对于您（你们）崇高的人道主义精神谨表示诚挚的敬意。

上海市慈善基金会

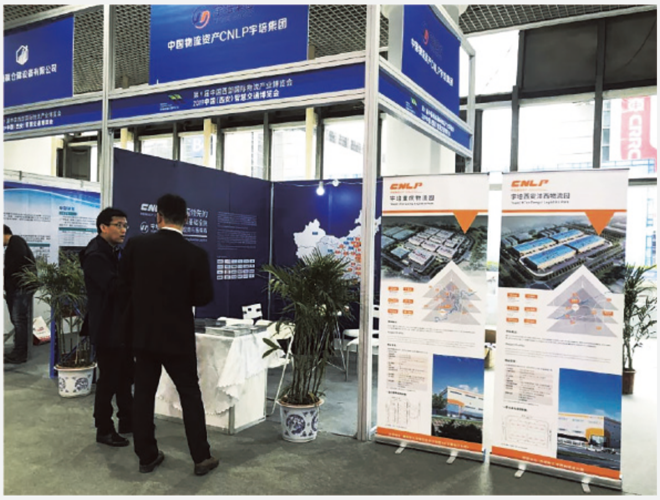
2019年7月3日

As a corporate citizen in Minhang District, Shanghai, we endeavor to support the organizational goal to serve different communities. In particular, during the year, we made donation to the Shanghai Charity Foundation to support the "Making Dream Come True" project and offer our help to the people in poverty in mountain areas.

CREATING VALUE WITH INDUSTRY PEERS

To cope with the national policy of promoting high quality logistic services and facilitating the development of domestic market, logistic industry plays an important role as the foundation and strategic focus of economic development. During the year, we maintained close communication with the government and industry peers in different regions, and participated in various industry exhibition to communicate with industry peers, so as to jointly facilitate the development of high-quality logistic industry.

Participating in the Western China International Logistics Industry Expo to Build the Logistic Foundation for the New Silk Road



Under the development guidance of the "Belt and Road" Initiative, the Expo was held in Shaanxi Province with the theme of "New Silk Road, New Hub and New Logistic", to facilitate the development of logistic industry in western China, and strengthen the economic relationship with Central Europe and the economic development of western China. As a leading one-stop logistic operation solution provider in China, we showcased our first-class facilities in the Xi'an Fengxi Logistic Park and Chongqing Logistic Park, and communicated with the industry peers and potential partners to jointly contribute to the development of logistic industry in western China.

Fully Supporting and Participating in the China International Import Expo

The second China International Import Expo was held at the National Exhibition and Convention Center which lasted consecutively for six days and attracted over three thousand enterprises and much attention from all around the world. As an industry leader in China, we showcased our one-stop logistic operation solution integrated with strong logistic facility network, high quality facilities and customer-oriented services. Our staff also formed a voluntary team to provide support at the Expo and contributed to the success of the Expo.

Mr. Li, the Chairman of the Board of the Group, attended the sharing-forum on “Openness, Rules and Business Environment”. At the forum, he was interviewed and shared his view on industry prospect and development direction and communicated with industry peers.

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

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Independent Auditor's Report

pwc

羅兵咸永道

To the Shareholders of China Logistics Property Holdings Co., Ltd

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Logistics Property Holdings Co., Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages 111 to 248, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 2.7 Investment properties, Note 3.3 Fair value estimation, Note 4(a) Fair value of investment properties and Note 8 Investment properties to the consolidated financial statements. Investment properties are initially measured at cost, and are carried subsequently at fair value, representing their fair values determined at each reporting date. The Group's investment properties were carried at fair value at RMB19,399.00 million as at 31 December 2019 and a related net fair value gain of RMB746.22 million for the year then ended was accounted for under "Fair value gains on investment properties — net" in the Group's consolidated statement of comprehensive income. The Group has engaged an external valuer to assess the fair values of the investment properties. The appraised value is determined by using the applicable valuation methods which involve key estimates and assumptions, including: future rental cash inflows (which is mainly based on existing contractual rents, market rents and rental growth rates), capitalization rates, discount rates and term/reversionary yields, and for those properties which are vacant land or under construction as of the reporting date, the developer's profit margin, expected completion dates and the costs to complete the construction. We focused on this area as the fair values and the net fair value gains of the investment properties are significant to the financial statements and the valuation of the investment properties was highly dependent on significant judgement on key estimates and assumptions involved in the valuations.	Our procedures in relation to management's assessment of the fair values of the investment properties included: (1) we assessed the competence, capabilities, and independence of the external valuer; (2) we obtained the valuation reports for all properties, discussed and queried the adoption of the valuation methodologies and techniques with the external valuer. We assessed the valuation methodologies used in the valuations by comparing to the applicable professional valuation standards and market practice, with the assistance from our internal valuation specialists; (3) we checked the key underlying data used in the valuation models, such as contractual rents and leasehold land and construction costs, on a sampling basis, to the relevant supporting documents; (4) we assessed the key assumptions used in the valuation models, with assistance from our internal valuation specialists, by performing the following procedures: — market rents, by benchmarking against market available data from similar properties; — rental growth rates, by comparing to the external evidence such as economic and industry forecasts; — capitalization rates, term/reversionary yields, the developer's profit margin and discount rates, by benchmarking against market available data; and — estimated costs to complete and completion dates, by comparing to the project plans and related construction budgets developed and approved by management; and also comparing the actual costs of the newly completed properties to their budget costs to assess the reliability of the budgets. Based on the work performed, we found the use of the valuation methodologies and techniques was acceptable, and the estimates and assumptions used in determining the fair values of the investment properties for the purpose of the consolidated financial statements were supported by the evidences we gathered.

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 April 2020

Consolidated Balance Sheet

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	6	**129,266**	128,232
Investment properties	8	**19,399,000**	17,039,000
Intangible assets		**861**	653
Right-of-use assets	7	**239,051**	—
Investment accounted for using the equity method	9	**787,374**	550,556
Financial assets at fair value through profit or loss ("FVPL")	13	**111,973**	58,337
Long-term trade receivables	11(a)	**17,166**	13,933
Other long-term prepayments	11(b)	**451,331**	481,408
Restricted cash	14	**318,056**	312,000
		21,454,078	18,584,119
Current assets			
Trade and other receivables	12(a)	**91,311**	74,485
Prepayments	12(b)	**91,022**	61,743
Financial assets at FVPL	13	**146,975**	289,176
Cash and cash equivalents	14	**1,166,331**	2,000,429
Restricted cash	14	**12,043**	91,874
		1,507,682	2,517,707
Assets classified as held for sale	24	**—**	482,839
		1,507,682	3,000,546
Total assets		**22,961,760**	21,584,665
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital and premium	15	**6,442,389**	6,460,307
Other reserves	17	**189,481**	174,774
Retained earnings	16	**4,282,557**	3,980,187
		10,914,427	10,615,268
Non-controlling interests		**824,752**	798,621
Total equity		**11,739,179**	11,413,889

Consolidated Balance Sheet

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	19	**5,243,562**	5,673,455
Long-term payables	22	**77,656**	89,029
Deferred income tax liabilities	10	**1,998,186**	1,759,911
Lease liabilities	7	**294,259**	—
Convertible bonds	20	**996,259**	—
		8,609,922	7,522,395
Current liabilities			
Trade and other payables	23	**428,867**	385,630
Current income tax liabilities		**28,572**	22,395
Borrowings	19	**2,140,405**	1,993,944
Lease liabilities	7	**14,815**	—
		2,612,659	2,401,969
Liabilities directly associated with assets classified as held for sale	24	**—**	246,412
		2,612,659	2,648,381
Total liabilities		**11,222,581**	10,170,776
Total equity and liabilities		**22,961,760**	21,584,665

The notes on pages 119 to 248 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 111 to 248 were approved by the board of directors on 24, April 2020 and the consolidated balance sheet was signed on its behalf by:

Li Shifa

Cheuk Shun Wah

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2019	2018
	Note	RMB'000	RMB'000
Revenue	25	**712,506**	582,280
Cost of sales	28	**(165,781)**	(148,353)
Gross profit		**546,725**	433,927
Selling and marketing expenses	28	**(33,931)**	(31,304)
Administrative expenses	28	**(108,198)**	(102,108)
Net impairment losses on financial assets	3.1(b)	**(1,349)**	(5,516)
Other income	26	**19,160**	12,379
Fair value gains on investment properties — net	8	**746,215**	948,244
Fair value losses on convertible bonds — net	20	**(55,833)**	—
Other gains — net	27	**13,242**	11,955
Operating profit		**1,126,031**	1,267,577
Finance income	30	**23,409**	15,963
Finance costs	30	**(522,601)**	(540,336)
Finance expenses — net	30	**(499,192)**	(524,373)
Share of profit of investments accounted for using the equity method	9	**88,575**	104,327
Profit before income tax		**715,414**	847,531
Income tax expense	31	**(292,272)**	(293,979)
Profit for the year		**423,142**	553,552
Profit for the year attributable to:			
Owners of the Company	16	**331,089**	557,231
Non-controlling interests		**92,053**	(3,679)
		423,142	553,552
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**423,142**	553,552

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Total comprehensive income for the year attributable to:			
Owners of the Company		**331,089**	557,231
Non-controlling interests		**92,053**	(3,679)
		423,142	553,552
Earnings per share for profit attributable to owners of the Company (expressed in RMB)			
— Basic	32	**0.1024**	0.1781
— Diluted	32	**0.1023**	0.1779

The notes on pages 119 to 248 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Company						
	Note	Share capital and premium RMB'000 (Note 15)	Treasury shares RMB'000	Other reserves RMB'000 (Note 17)	Retained earnings RMB'000 (Note 16)	Total RMB'000	Non-controlling interests RMB'000	Total equity 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	2.1.1	–	–	–	(26,432)	(26,432)	–	(26,432)
Balance at 1 January 2019, restated		**6,460,307**	**–**	**174,774**	**3,953,755**	**10,588,836**	**798,621**	**11,387,457**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**331,089**	**331,089**	**92,053**	**423,142**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**331,089**	**331,089**	**92,053**	**423,142**
Transactions with equity owners in their capacity as equity owners								
Repurchase of shares		**–**	**(25,183)**	**–**	**–**	**(25,183)**	**–**	**(25,183)**
Cancellation of shares		**(25,183)**	**25,183**	**–**	**–**	**–**	**–**	**–**
Employees share option scheme								
— Value of employee services	17, 18	**–**	**–**	**(578)**	**–**	**(578)**	**–**	**(578)**
— Exercise of share options	15, 17	**7,265**	**–**	**(3,722)**	**–**	**3,543**	**–**	**3,543**
Profit appropriation to statutory reserves	16, 17	**–**	**–**	**2,287**	**(2,287)**	**–**	**–**	**–**
Deemed contribution from non-controlling interests		**–**	**–**	**16,720**	**–**	**16,720**	**(16,720)**	**–**
Dividends distribution to non-controlling interests	35	**–**	**–**	**–**	**–**	**–**	**(49,202)**	**(49,202)**
Total transactions with equity owners in their capacity as equity owners		**(17,918)**	**–**	**14,707**	**(2,287)**	**(5,498)**	**(65,922)**	**(71,420)**
Balance at 31 December 2019		**6,442,389**	**–**	**189,481**	**4,282,557**	**10,914,427**	**824,752**	**11,739,179**

Consolidated Statement of Changes in Equity

	Note	Share capital and premium RMB'000 (Note 15)	Treasury shares RMB'000	Other reserves RMB'000 (Note 17)	Retained earnings RMB'000 (Note 16)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Equity attributable to owners of the Company						
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/(Loss) for the year		–	–	–	557,231	557,231	(3,679)	553,552
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	557,231	557,231	(3,679)	553,552
Transactions with equity owners in their capacity as equity owners								
Issue of shares	15	727,510	–	–	–	727,510	–	727,510
Employees share option scheme								
– Value of employee services	17, 18	–	–	1,692	–	1,692	–	1,692
– Exercise of share options	15, 17	8,185	–	(4,758)	–	3,427	–	3,427
Profit appropriation to statutory reserves	16, 17	–	–	2,769	(2,769)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	802,300	802,300
Total transactions with equity owners in their capacity as equity owners		735,695	–	(297)	(2,769)	732,629	802,300	1,534,929
Balance at 31 December 2018		6,460,307	–	174,774	3,980,187	10,615,268	798,621	11,413,889

The notes on pages 119 to 248 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**610,514**	292,697
Interest received		**23,293**	14,562
Income tax paid		**(15,679)**	(5,595)
Net cash generated from operating activities		**618,128**	301,664
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(18,610)**	(23,898)
Acquisition of financial assets at FVPL	13	**(126,307)**	—
Additions of investment properties		**(1,883,572)**	(1,730,722)
Additions of intangible assets		**(517)**	(790)
Payment of capital gain tax on disposal of subsidiaries		**(11,907)**	(40,645)
Proceeds from disposal of property, plant and equipment		**—**	2,846
Proceeds from disposal of subsidiaries	27	**324,666**	—
Proceeds from disposal of financial assets at FVPL	13	**222,264**	—
Receipt of asset related government grants	21	**10,000**	9,248
Advances to a related party	38(e)	**(32,392)**	—
Net cash used in investing activities		**(1,516,375)**	(1,783,961)

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Decrease/(Increase) in restricted cash	14	**73,775**	(299,769)
Proceeds from issuance of ordinary shares	15	**—**	727,510
Proceeds from exercise of share options		**3,543**	3,427
Repurchase of ordinary shares	15	**(25,183)**	—
Proceeds from capital contribution from non-controlling interests		**—**	802,300
Payment of dividends distributed to non-controlling interests	35	**(49,202)**	—
Payment of commission fees and other expenses related to issuance of senior notes	34(b)	**(25,859)**	(41,090)
Proceeds from borrowings	34(b)	**2,945,982**	2,853,083
Repayments of borrowings	34(b)	**(3,212,703)**	(1,917,836)
Payment of interest of borrowings	34(b)	**(571,161)**	(487,549)
Proceeds from issurance of convertible bonds	20, 34(b)	**975,034**	—
Payment of transaction cost of convertible bonds	30, 34(b)	**(11,685)**	—
Payment of interest of convertible bonds	20, 34(b)	**(34,608)**	—
Principle element of lease payments	34(b)	**(17,516)**	—
Net cash generated from financing activities		**50,417**	1,640,076
Net (decrease)/increase in cash and cash equivalents		**(847,830)**	157,779
Cash and cash equivalents at beginning of year		**2,000,429**	1,820,537
Cash and cash equivalents classified as assets held for sale	24	**11,900**	(11,900)
Exchange gains on cash and cash equivalents		**1,832**	34,013
Cash and cash equivalents at end of year	14	**1,166,331**	2,000,429

The notes on pages 119 to 248 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information of the Group

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

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 15 July 2016.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 24, April 2020.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value and investment properties, which are carried at fair value.

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The Group meets its day-to-day working capital requirements through its bank borrowing facilities and issuance of senior notes, convertible bonds and asset-backed securities. As at 31 December 2019, the current liabilities exceeded the current assets by RMB1,104,977,000. In preparing the consolidated financial statements, the directors of the Company have considered the Group's available sources of funds as follows:

- The net cash inflows from operating activities.

- The unutilized bank borrowing facilities as at 31 December 2019 as well as those to be newly obtained during the next twelve months given the Group's credit history and the Group's unpledged investment properties. The available unutilized bank borrowing facilities as at 31 December 2019 was RMB376,500,000 (Note 19). Subsequent to 31 December 2019, additional bank borrowing facilities amounting to RMB645,150,000 were obtained with borrowing contracts signed. The total available unutilized bank borrowing facilities thus increased to RMB1,021,650,000, among which around RMB274,000,000 was successfully drawn down subsequent to year-end.

- Other available sources of financing from co-investors through establishing joint investment programs of operating a portfolio of logistics warehousing projects located in PRC as well as financing from issuing senior notes, convertible bonds and assets-backed securities when necessary. As disclosed in Note 39, pursuant to the cooperation framework agreement that the Company and LaSalle entered into in August 2018, the Company, through its subsidiaries, entered into the sale and purchase agreements with LaSalle on 26 March 2020 and agreed to sale about 90% of total issued shares in certain project companies of the Group with total consideration of RMB596,296,000.

Having considered the above, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from period end date of the consolidated financial statements. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards, new amendments and interpretations to existing standards issued and relevant to the Group have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:

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

Apart from IFRS 16 “Leases” which is disclosed as below, the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

(i) IFRS 16 "Leases"

The Group has adopted the IFRS 16 "Leases" 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. The new accounting policies are disclosed in Note 2.28.

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%.

Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using 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*.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

(i) IFRS 16 "Leases" (continued)

Measurement of lease liabilities

	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

Measurement of right-of-use assets

The associated 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.

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

	31 December 2019 RMB'000	1 January 2019 RMB'000
Buildings	239,051	307,681
Total right-of-use assets (Note 7, 38(c))	**239,051**	307,681

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

(i) IFRS 16 "Leases" (continued)

Adjustments recognized in the balance sheet on 1 January 2019

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

- Right-of-use assets — increase by RMB307,681,000
- Deferred tax assets — increase by RMB8,811,000 (Note 10)
- Lease liabilities (current portion) — increase by RMB15,531,000
- Lease liabilities (non-current portion) — increase by RMB327,393,000

The net impact on retained earnings on 1 January 2019 was a decrease of RMB26,432,000 (Note 16).

Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

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

The following new standards and amendments and interpretations to existing standards have been issued and are relevant to the Group's operations but they are not yet effective for the financial year beginning on 1 January 2019 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 (Likely to be extended to 1 January 2022)

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

Impairment testing is also carried out according to Note 2.9.

2.3 Associates

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

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

An associate is an entity over which the Group has significant influence but not control, generally accompanying Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(c) Group companies

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

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

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

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

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

2.6 Property, plant and equipment

Property, plant and equipment include vehicles and machineries, furniture, fittings and equipments and leasehold improvements and are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

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

— Vehicles and machineries	5–10 years
— Furniture, fittings and equipments	5 years
— Leasehold improvement	Shorter of lease period and useful life

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

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

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

2.7 Investment properties

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

2 Summary of significant accounting policies (continued)

2.8 Intangible assets

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

2.9 Impairment of non-financial assets

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

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

(b) those to be measured at amortized cost.

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

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

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

2.11.2 Recognition and derecognition

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

2.11.3 Measurement

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

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

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.3 Measurement (continued)

Debt instruments

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

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

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

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

Equity instruments

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

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

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.4 Impairment

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

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

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

2.12 Offsetting financial instruments

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

2.13 Trade receivables

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

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

2.14 Cash and cash equivalents

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

2 Summary of significant accounting policies (continued)

2.15 Share capital

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

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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

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

2.18 Borrowing costs

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

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

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

2 Summary of significant accounting policies (continued)

2.18 Borrowing costs (continued)

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

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

2.19 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.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(c) Offsetting

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

2.21 Employee benefits

(a) Pension obligations

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

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

(b) Termination benefits

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

(c) Employee leave entitlements

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

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

2 Summary of significant accounting policies (continued)

2.22 Government grants

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

Government grants relating to past expenses are recognized directly in the consolidated statement of comprehensive income.

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

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

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

2.23 Share-based payments

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

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

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (continued)

2.23 Share-based payments (continued)

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

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

2.24 Revenue recognition

(a) Rental income

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

(b) Revenue from providing management services

The Group provides property management services to customers. Revenue derived from sales of services is recognized in the accounting period in which the services are rendered (i.e. over time), and assessed on the basis of actual services provided to the end of the reporting period as a proportion of the total service to be provided.

2.25 Interest income

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

2.26 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 Summary of significant accounting policies (continued)

2.26 Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27 Dividend distribution

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

2.28 Leases

As explained in Note 2.1.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.1.1.

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 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

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.

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).

2 Summary of significant accounting policies (continued)

2.28 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal 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.

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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 office buildings 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 of 10 years.

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.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (Note 2.24). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

Exposure

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

	31 December 2019		31 December 2018	
	US$ denominated RMB'000	HK$ denominated RMB'000	US$ denominated RMB'000	HK$ denominated RMB'000
Cash and cash equivalents (Note 14)	85,319	167,361	1,598,313	30,780
Financial assets at FVPL (Note 13)	129,060	129,888	338,594	8,919
Borrowings (Note 19)	(2,790,063)	—	(4,077,726)	—
Convertible bonds (Note 20)	—	(996,259)	—	—

Sensitivity

At 31 December 2019, if RMB had weakened/strengthened by 5% against HK$ and US$ with all other variables held constant, the Group's profit before tax for the year ended 31 December 2019 would have been decreased/increased by approximately RMB163,735,000 (2018: RMB105,056,000), mainly as a result of foreign exchange losses/gains on translation of HK$ and US$ denominated cash and cash equivalents, HK$ and US$ denominated financial assets at FVPL, US$ denominated borrowings, and HK$ denominated convertible bonds.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

At 31 December 2019, if average interest rate on the Group's certain borrowings, which bear floating rates, had been 50 basis point higher/lower, profit before tax for the year ended 31 December 2019 would have been decreased/increased by approximately RMB13,211,000 (2018: RMB15,097,000).

(b) Credit risk

(i) Risk management

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

To manage the risk with respect to cash and cash equivalents and restricted cash, bank deposits are placed with highly reputable financial institutions. As at 31 December 2019, most of the cash and cash equivalents and restricted cash are placed with major financial institutions in mainland China and Hong Kong.

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

The Group enters into the financial products contracts with certain financial institution in mainland China and Hong Kong. As at 31 December 2019, these are reflected as financial assets at FVPL on the consolidated balance sheet. Management has exercised due care when make investment decision with focus only on low risk financial products with principal being guaranteed.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets

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

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

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade and other receivables:

31 December 2019	Not due RMB'000	Within 90 days RMB'000	91 days to 180 days RMB'000	181 days to 365 days RMB'000	Over 365 days RMB'000	Total RMB'000
Trade receivables (Notes 11(a))						
Gross carrying amount	17,166	9,395	261	424	448	27,694
Expected loss rate	–	0.24%	2.68%	26.18%	100.00%	
Loss allowance	–	23	7	111	448	589
Other receivables (Notes 12(a))						
Gross carrying amount	77,994	–	–	–	10,000	87,994
Expected loss rate	–	–	–	–	66.22%	
Loss allowance	–	–	–	–	6,622	6,622

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

31 December 2018 (Notes 11(a))	Not due RMB'000	Within 90 days RMB'000	91 days to 180 days RMB'000	181 days to 365 days RMB'000	Over 365 days RMB'000	Total RMB'000
Trade receivables						
Gross carrying amount	13,933	6,205	83	137	–	20,358
Expected loss rate	–	0.24%	1.20%	11.68%	100.00%	
Loss allowance	–	15	1	16	–	32
Other receivables (Notes 12(a))						
Gross carrying amount	62,592	–	–	11,000	330	73,922
Expected loss rate	–	–	–	50.00%	100.00%	
Loss allowance	–	–	–	5,500	330	5,830

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

	As at 31 December 2019 RMB'000	2018 RMB'000
Opening loss allowance at 1 January	**5,862**	346
Increase in loss allowance recognized in profit or loss during the year	**1,349**	5,516
Receivables written off during the year as uncollectible	**—**	—
Closing loss allowance at at 31 December	**7,211**	5,862

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

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts tabulated below are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Borrowings and interest	**2,580,260**	**2,154,461**	**2,136,611**	**1,842,196**	**8,713,528**
Trade and other payables (excluding non-financial liabilities)	**342,550**	**—**	**—**	**—**	**342,550**
Long-term payables	**—**	**44,928**	**28,251**	**4,477**	**77,656**
Lease liabilities	**15,319**	**52,644**	**157,928**	**171,089**	**396,980**
Convertible bonds (i)	**69,044**	**69,044**	**1,166,053**	**—**	**1,304,141**
	3,007,173	**2,321,077**	**3,488,843**	**2,017,762**	**10,834,855**
At 31 December 2018					
Borrowings and interest	2,424,317	3,648,594	1,737,625	1,121,613	8,932,149
Trade and other payables (excluding non-financial liabilities)	313,403	—	—	—	313,403
Long-term payables	—	47,135	35,154	6,740	89,029
	2,737,720	3,695,729	1,772,779	1,128,353	9,334,581

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

(i) As disclosed in Note 20, 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.

3.2 Capital management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the aggregate of total borrowings, convertible bonds and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as total equity as shown in the consolidated balance sheet, plus net debt.

The gearing ratios as at 31 December 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total borrowings (Note 19)	**7,383,967**	7,667,399
Add: convertible bonds (Note 20)	**996,259**	—
lease liabilities (Note 7)	**309,074**	—
Less: cash and cash equivalents (Note 14)	**(1,166,331)**	(2,000,429)
restricted cash (Note 14)	**(330,099)**	(403,874)
Net debt	**7,192,870**	5,263,096
Total equity	**11,739,179**	11,413,889
Gearing ratio	**38.0%**	31.6%

The increase of gearing ratio during the year is a result of the increase of net debt due to repayment of borrowings, issuance of convertible bonds and the recognition of lease liabilities following the adoption of IFRS 16 "Leases".

3 Financial risk management (continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value as at 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019 and 2018.

As at 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	–	–	258,948	258,948
Investment properties	–	–	19,399,000	19,399,000
	–	–	19,657,948	19,657,948
Liabilities				
Convertible bonds	–	–	996,259	996,259

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

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

3 Financial risk management (continued)

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

Investment Properties

See Note 8 for disclosures of the investment properties that are measured at fair value.

Convertible bonds

See Note 20 for disclosures of the convertible bonds that are measured at fair value.

Financial assets at FVPL

See Note 13 for disclosures of financial assets at FVPL that are measured at fair value.

3.5 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

3 Financial risk management (continued)

3.6 Financial instruments by category

	Financial assets at amortized cost RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
31 December 2019			
Assets as per balance sheet			
Financial assets at FVPL	—	258,948	258,948
Trade and other receivables	91,311	—	91,311
Cash and cash equivalents	1,166,331	—	1,166,331
Restricted cash	330,099	—	330,099
Long-term trade receivables	17,166	—	17,166
	1,604,907	258,948	1,863,855

	Financial liabilities at amortized cost RMB'000	Financial liabilities at FVPL RMB'000	Total RMB'000
31 December 2019			
Liabilities as per balance sheet			
Borrowings	7,383,967	—	7,383,967
Trade and other payables excluding non-financial liabilities	342,550	—	342,550
Long-term payables	77,656	—	77,656
Lease liabilities	309,074	—	309,074
Convertible bonds	—	996,259	996,259
	8,113,247	996,259	9,109,506

3 Financial risk management (continued)

3.6 Financial instruments by category (continued)

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

	Financial liabilities at amortized cost RMB'000
31 December 2018	
Liabilities as per balance sheet	
Borrowings	7,667,399
Trade and other payables excluding non-financial liabilities	313,403
Long-term payables	89,029
	8,069,831

4 Critical accounting estimates and judgments

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

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

(a) Fair value of investment properties

Investment properties are stated at fair values based on the valuations performed by independent professional valuers. In determining the fair values, the valuers have based on valuation methods which involve certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of fair value gains or losses reported in the consolidated statement of comprehensive income. Details of the judgment and assumptions to reach fair value of investment properties have been disclosed in Note 8.

(b) Fair value of convertible bonds

As disclosed in Note 20, the fair values of the convertible bonds were determined based on valuations performed by an independent valuer, using valuation techniques. The valuer adopted the Black-Scholes model framework and Multi-Assets Monte Carlo Simulation to determine the fair values of the convertible bonds. In relying on the valuation report, the directors of the Company have exercised their judgements and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's convertible bonds and the corresponding adjustments to the amount of fair value gains or losses reported in the consolidated statements of comprehensive income. Details of the judgment and assumptions to reach fair value of the convertible bonds have been disclosed in Note 20.

(c) Current and deferred income taxes

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

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

5 Segment information

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

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

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

Revenue from customer A represented 29.4% of the Group's total revenue for the year ended 31 December 2019 (2018: customer A represented 34.4%).

6 Property, plant and equipment

	Vehicles and machineries RMB'000	Furniture, fittings and equipments RMB'000	Leasehold improvement RMB'000	Total RMB'000
Year ended 31 December 2018				
Opening net book amount	1,039	6,402	125,220	132,661
Additions	903	9,982	1,993	12,878
Impairment (Note 28)	—	(6,966)	—	(6,966)
Disposals	—	(2,802)	—	(2,802)
Depreciation charge (Note 28)	(472)	(1,703)	(5,364)	(7,539)
Closing net book amount	1,470	4,913	121,849	128,232
At 31 December 2018				
Cost	3,068	10,191	127,213	140,472
Accumulated depreciation	(1,598)	(5,278)	(5,364)	(12,240)
Net book amount	1,470	4,913	121,849	128,232
Year ended 31 December 2019				
Opening net book amount	**1,470**	**4,913**	**121,849**	**128,232**
Additions	**88**	**154**	**17,216**	**17,458**
Disposals	**—**	**(3)**	**—**	**(3)**
Depreciation charge (Note 28)	**(460)**	**(1,565)**	**(14,396)**	**(16,421)**
Closing net book amount	**1,098**	**3,499**	**124,669**	**129,266**
At 31 December 2019				
Cost	**3,156**	**10,339**	**144,429**	**157,924**
Accumulated depreciation	**(2,058)**	**(6,840)**	**(19,760)**	**(28,658)**
Net book amount	**1,098**	**3,499**	**124,669**	**129,266**

7 Leases

(a) Amounts recognized in the consolidated statement of balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As at	
	31 December 2019	1 January 2019
	RMB'000	RMB'000
Right-of-use assets		
Buildings	**239,051**	307,681
Lease liabilities (Note 38(g))		
Current	**14,815**	15,531
Non-current	**294,259**	327,393
	309,074	342,924

There were no additions to the right-of-use assets during the 2019 financial year.

	Right-of-use assets RMB'000
At 1 January 2019	**307,681**
Depreciation charges	**(33,263)**
Reassessment of extension options (i)	**(35,367)**
At 31 December 2019	**239,051**

(i) Extension options

As described in Note 2.28, the Group leases office buildings from 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 annually for 10 years up to 31 March 2028. The Group is reasonably certain to exercise that option for an extension on the lease term and potential future cash outflows have been included in the lease liabilities as at 1 January 2019 upon the adoption of IFRS 16 "Leases".

7 Leases (continued)

(b) Amounts recognized in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 28)		
— Buildings	33,263	—
Interest expense (included in finance cost) (Note 30)	19,622	—
Expense relating to short-term leases (included in cost of sales and administrative expenses) (Note 28)	2,671	—

The total cash outflow for leases in 2019 was RMB18,105,000 (Note 34(b)).

8 Investment properties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At fair value		
At beginning of the year	**17,039,000**	14,792,000
Capitalized subsequent expenditure on completed investment properties	**303,998**	24,596
Capitalized expenditure on investment properties under construction	**1,653,261**	1,721,160
Classified as assets held for sale (Note 24)	**—**	(447,000)
Disposal of subsidiaries (Note 27)	**(343,474)**	—
Net gains from fair value adjustment	**746,215**	948,244
At end of the year	**19,399,000**	17,039,000

During the year ended 31 December 2019, the Group has capitalized borrowing costs (including interest expense and exchange losses) amounting to RMB151,433,000 (2018: RMB146,303,000) on investment properties under construction (Note 30). Borrowing costs were capitalized at the weighted average rate of its general borrowings of 6.6% (2018: 7.2%).

At 31 December 2019, investment properties of the Group with a total fair value amounting to RMB15,517,000,000 (2018: RMB13,257,000,000) were pledged as collateral mortgaged for bank borrowings (Note 19).

As at this report date, the title certificates of certain investment properties with a total fair value of RMB2,580,000,000 are under application process.

Valuations of the Group's investment properties were performed by an independent professional valuer, Colliers International (Hong Kong) Limited ("Colliers"), to determine the fair values of the investment properties as at 31 December 2019 and 2018. The revaluation gains or losses are included in "Fair value gains on investment properties — net" in the consolidated statement of comprehensive income.

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

8 Investment properties (continued)

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

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

	Fair value measurements at 31 December 2019 using			
Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurements				
Investment properties:				
— Logistics facilities — completed	–	–	17,186,000	17,186,000
— Logistics facilities — under construction	–	–	983,000	983,000
— Logistics facilities — leasehold land held for future development	–	–	1,230,000	1,230,000
	–	–	19,399,000	19,399,000

8 Investment properties (continued)

Description	Fair value measurements at 31 December 2018 using Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurements				
Investment properties:				
— Logistics facilities — completed	—	—	13,901,000	13,901,000
— Logistics facilities — under construction	—	—	1,994,000	1,994,000
— Logistics facilities — leasehold land held for future development	—	—	1,144,000	1,144,000
	—	—	17,039,000	17,039,000

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

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

8 Investment properties (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**17,039,000**	14,792,000
Additions	**1,957,259**	1,745,756
Classified as assets held for sale (Note 24)	**—**	(447,000)
Disposal of subsidiaries (Note 27)	**(343,474)**	—
Net gains from fair value adjustment	**746,215**	948,244
At end of the year	**19,399,000**	17,039,000
Change in unrealized gains or losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year, under "Fair value gains on investment properties — net"	**746,215**	948,244

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income (Note 25)	**546,001**	510,624
Direct operating expenses from properties that generated rental income	**(148,031)**	(146,373)
Direct operating expenses from properties that did not generate rental income	**(1,835)**	(3,847)
Fair value gains recognized	**746,215**	948,244

8 Investment properties (continued)

Valuation processes of the Group

The fair values of the Group's investment properties at 31 December 2019 and 2018 were based on valuations performed by independent professional valuer — Colliers, who holds recognized relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

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

At each financial year end the finance department:

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

8 Investment properties (continued)

Valuation techniques

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

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

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

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

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

8 Investment properties (continued)

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

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — completed	17,186,000	DCF Method/ T&R Analysis	Market rent	RMB17–RMB54 per month per square meter (RMB35.5 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	7.75%–9.25% (8.5%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5.0%–7.1% (6.05%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.5%–7.3% (6.4%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5%–6.5% (5.75%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the terminal rent growth rate, the higher the fair value and vice versa
Logistics facilities — under construction	983,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB23–RMB28 per month per square meter (RMB25.5 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.5%–9% (8.75%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	6.6%–7.1% (6.85%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.75%–6.25% (6%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB231,627,083–RMB489,395,101	The higher the estimated costs, the lower the fair value and vice versa

8 Investment properties (continued)

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
			Estimated developer's profit margin	1%–10% (5.5%)	The higher the estimated profit margin, the lower the fair value and vice versa
Logistics facilities – leasehold land held for future development	1,230,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB23–RMB41 per month per square meter (RMB32 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8%–8.5% (8.25%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	5.9%–7.1% (6.5%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.25%–6% (5.63%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB142,800,000– RMB291,564,943	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5%–10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

8 Investment properties (continued)

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

Description	Fair value at 31 December 2018 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities – completed	13,901,000	DCF Method/ T&R Analysis	Market rent	RMB17–RMB45 per month per square meter (RMB31 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	7.75%–9.25% (8.5%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5.0%–7.1% (6.05%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.5%–7.3% (6.4%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5%–6.5% (5.75%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the terminal rent growth rate, the higher the fair value and vice versa
Logistics facilities – under construction	1,994,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB22–RMB28 per month per square meter (RMB25 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.5%–9% (8.75%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	6.6%–7.1% (6.85%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.75%–6.25% (6%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB20,201,770–RMB593,959,442	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	1%–15% (8%)	The higher the estimated profit margin, the lower the fair value and vice versa

8 Investment properties (continued)

Description	Fair value at 31 December 2018 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — leasehold land held for future development	1,144,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB23–RMB40 per month per square meter (RMB32 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8%–8.5% (8.25%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	6.15%–7.1% (6.63%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.5%–6% (5.75%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB142,800,000–RMB314,112,638	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5%–10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

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

9 Investment accounted for using the equity method

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**550,556**	446,229
Fair value of the retained interest of the associates	**148,243**	—
Share of post-tax profits of associates	**88,575**	104,327
End of the year	**787,374**	550,556

Investment in associates

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

Nature of investment in associates as at 31 December 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

9 Investment accounted for using the equity method (continued)

Investment in associates (continued)

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

(b) As disclosed in Note 27(i), 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 27(i), 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").

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

9 Investment accounted for using the equity method (continued)

Summarized financial information for associates

(a) Set out below is summarized financial information as at 31 December 2019 and for the year of 2019 for Shanghai Hongyu, which is accounted for using the equity method.

Summarized balance sheet of Shanghai Hongyu

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current		
Cash and cash equivalents	**15,669**	5,157
Trade and other receivables	**630**	22,632
Prepayments	**17,116**	19,255
Total current assets	**33,415**	47,044
Trade and other payables	**(184,326)**	(49,550)
Borrowings	**(49,800)**	(49,000)
Total current liabilities	**(234,126)**	(98,550)
Non-current		
Investment properties	**2,624,000**	2,355,000
Property, plant and equipment	**34**	141
Total non-current assets	**2,624,034**	2,355,141
Borrowings	**(546,563)**	(583,695)
Deferred income tax liabilities	**(422,228)**	(377,121)
Total non-current liabilities	**(968,791)**	(960,816)
Net assets	**1,454,532**	1,342,819

9 Investment accounted for using the equity method (continued)

Summarized financial information for associates (continued)

Summarized statement of comprehensive income of Shanghai Hongyu

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Revenue	**41,552**	16,543
Cost of sales	**(1,523)**	(35,646)
Finance expenses	**(42,484)**	(9,425)
Other expenses	**(1,790)**	(2,810)
Other gains/(losses) — net	**32**	(3)
Fair value gains on investment properties — net	**161,033**	381,061
Profit before income tax	**156,820**	349,720
Income tax expense	**(45,107)**	(95,265)
Post-tax profit for the year	**111,713**	254,455
Other comprehensive income	**—**	—
Total comprehensive income for the year	**111,713**	254,455

9 Investment accounted for using the equity method (continued)

Summarized financial information for associates (continued)

(b) Set out below is summarized financial information as at 31 December 2019 and for the period from the disposal date of 5 June 2019 to 31 December 2019 for Management 10, which is accounted for using the equity method.

Summarized consolidated balance sheet of Management 10

	As at 31 December 2019 RMB'000
Current	
Cash and cash equivalents	5,623
Trade and other receivables	77
Prepayments	12,607
Total current assets	18,307
Trade and other payables	(21,949)
Borrowings	(4,000)
Total current liabilities	(25,949)
Non-current	
Investment properties	587,000
Property, plant and equipment	8
Other long-term prepayments	17,349
Total non-current assets	604,357
Borrowings	(246,468)
Long-term payables	(1,600)
Deferred income tax liabilities	(60,387)
Total non-current liabilities	(308,455)
Net assets	288,260

9 Investment accounted for using the equity method (continued)

Summarized financial information for associates (continued)

Summarized consolidated statement of comprehensive income of Management 10

	Period from 5 June 2019 to 31 December 2019 RMB'000
Revenue	11,369
Cost of sales	(2,639)
Finance expenses	(8,471)
Other expenses	(122)
Fair value gains on investment properties — net	86,989
Profit before income tax	87,126
Income tax expense	(21,839)
Post-tax profit for the period	65,287
Other comprehensive income	—
Total comprehensive income for the period	65,287

9 Investment accounted for using the equity method (continued)

Summarized financial information for associates (continued)

(c) Set out below is summarized financial information as at 31 December 2019 and for the period from the disposal date of 14 June 2019 to 31 December 2019 for Management 15, which is accounted for using the equity method.

Summarized consolidated balance sheet of Management 15

	As at 31 December 2019 RMB'000
Current	
Cash and cash equivalents	43,805
Trade and other receivables	11,000
Prepayments	2,055
Total current assets	56,860
Trade and other payables	(14,202)
Borrowings	(14,000)
Total current liabilities	(28,202)
Non-current	
Investment properties	529,000
Other long-term prepayments	19,272
Total non-current assets	548,272
Borrowings	(191,000)
Deferred income tax liabilities	(37,471)
Total non-current liabilities	(228,471)
Net assets	348,459

9 Investment accounted for using the equity method (continued)

Summarized financial information for associates (continued)

Summarized consolidated statement of comprehensive income of Management 15

	Period from 14 June 2019 to 31 December 2019 RMB'000
Revenue	—
Cost of sales	(9)
Finance income	90
Other expenses	(79)
Fair value gains on investment properties — net	103,059
Profit before income tax	103,061
Income tax expense	(25,771)
Post-tax profit for the period	77,290
Other comprehensive income	—
Total comprehensive income for the period	77,290

9 Investment accounted for using the equity method (continued)

Reconciliation of summarized financial information

	Year ended 31 December 2019 Shanghai Hongyu RMB'000	Period from disposal dates to 31 December 2019 Management 10 RMB'000	Management 15 RMB'000
Net assets at beginning of the year/period	**1,342,819**	—	—
Fair values of the net assets on the dates becoming associates of the Group	**—**	222,973	271,169
Profit for the year/period	**111,713**	65,287	77,290
Net assets at end of the year/period	**1,454,532**	288,260	348,459
Interest in associates	**596,358**	86,478	104,538
Carrying value	**596,358**	86,478	104,538

	Year ended 31 December 2018 Shanghai Hongyu RMB'000
Net assets at beginning of the year	1,088,364
Profit for the year	254,455
Net assets at end of the year	1,342,819
Interest in associate	550,556
Carrying value	550,556

10 Deferred income tax

The analysis of deferred tax liabilities is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	**(1,997,720)**	(1,759,681)
— Deferred tax liability to be recovered within 12 months	**(466)**	(230)
	(1,998,186)	(1,759,911)

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

	Deferred tax liabilities RMB'000
At 31 December 2017	(1,521,506)
Charged to the consolidated statement of comprehensive income (Note 31)	(275,991)
Classified as liabilities held for sale (Note 24)	37,586
At 31 December 2018	(1,759,911)
Change in accounting policy — IFRS 16 (Note 2.1.1)	**8,811**
At 1 January 2019, restated	**(1,751,100)**
Charged to the consolidated statement of comprehensive income (Note 31)	**(259,749)**
Disposal of subsidiaries (Note 27)	**12,663**
At end of the year	**(1,998,186)**

10 Deferred income tax (continued)

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

Deferred tax assets	Share-based payment RMB'000	Tax losses RMB'000	Impairment losses RMB'000	Leases RMB'000	Total RMB'000
At 1 January 2018	5,264	54,736	—	—	60,000
Credited/(charged) to the consolidated statement of comprehensive income (Note 31)	423	(5,301)	1,465	—	(3,413)
At 31 December 2018	5,687	49,435	1,465	—	56,587
Change in accounting policy — IFRS 16 (Note 2.1.1)	**—**	**—**	**—**	**8,811**	**8,811**
At 1 January 2019	**5,687**	**49,435**	**1,465**	**8,811**	**65,398**
(Charged)/credited to the consolidated statement of comprehensive income (Note 31)	**(2,264)**	**5,784**	**338**	**9,043**	**12,901**
At 31 December 2019	**3,423**	**55,219**	**1,803**	**17,854**	**78,299**

10 Deferred income tax (continued)

Deferred tax liabilities	Government grant RMB'000	Leasing income on straight-lined basis RMB'000	Fair value gains on investment properties RMB'000	Total RMB'000
At 1 January 2018	(18,847)	(4,228)	(1,558,431)	(1,581,506)
(Charged)/credited to the consolidated statement of comprehensive income (Note 31)	(5,735)	515	(267,358)	(272,578)
Classified as liabilities held for sale (Note 24)	—	—	37,586	37,586
At 31 December 2018	(24,582)	(3,713)	(1,788,203)	(1,816,498)
At 1 January 2019	**(24,582)**	**(3,713)**	**(1,788,203)**	**(1,816,498)**
(Charged) to the consolidated statement of comprehensive income (Note 31)	**(1,559)**	**(1,044)**	**(270,047)**	**(272,650)**
Classified as liabilities held for sale (Note 24)	**—**	**—**	**(37,586)**	**(37,586)**
Disposal of subsidiaries (Note 27)	**—**	**—**	**50,249**	**50,249**
At 31 December 2019	**(26,141)**	**(4,757)**	**(2,045,587)**	**(2,076,485)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB51,316,000 (2018: RMB41,978,000) in respect of losses amounting to RMB205,265,000 (2018: RMB167,912,000) that can be carried forward against future taxable income. Losses amounting to RMB45,719,000 (2018: RMB9,289,000), RMB35,730,000 (2018: RMB41,471,000), RMB30,175,000 (2018: RMB35,345,000), RMB35,158,000 (2018: RMB36,886,000) and RMB58,483,000 (2018: RMB44,921,000) will expire in 2020, 2021, 2022, 2023 and 2024, respectively. Tax losses amounting to RMB8,940,000 was expired in year 2019.

The Group did not recognize deferred tax liability on accumulated undistributed profit of its subsidiaries as at 31 December 2019 and 2018, because the subsidiaries do not intend to distribute dividend in foreseeable future.

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

(a) Long-term trade receivables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income receivables from third parties	**21,111**	14,382
Rental income receivables from related parties (Note 38(g))	**6,583**	5,976
Less: current portion of rental income receivables (Note 12(a))	**(10,528)**	(6,425)
	17,166	13,933

(b) Other long-term prepayments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Prepaid taxes other than income tax	**206,571**	126,453
Prepayment for construction costs	**230,093**	321,494
Long-term prepaid expenses	**14,667**	33,461
	451,331	481,408

12 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables		
Rental income receivables from third parties (i)	**8,638**	4,733
Rental income receivables from related parties (i)	**1,890**	1,692
	10,528	6,425
Other receivables		
Other receivables for land use rights and other deposits	**38,304**	59,864
Other receivables due from related parties (Note 38(g))	**34,449**	2,000
Other receivables for unpaid consideration (Note 27)	**12,217**	—
Other receivables due from other third parties	**3,024**	12,058
	87,994	73,922
Less: Loss allowance for trade receivables (Note 3.1(b))	**(589)**	(32)
Loss allowance for other receivables (Note 3.1(b))	**(6,622)**	(5,830)
	(7,211)	(5,862)
	91,311	74,485

(i) As at 31 December 2019, trade receivables of RMB852,000 were pledged as collateral for the bank borrowings (2018: RMB1,140,000) (Note 19).

As at 31 December 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 31 December 2019 and 31 December 2018, all the carrying amounts of trade and other receivables were denominated in RMB.

12 Trade and other receivables and prepayments (continued)

(a) Trade and other receivables (continued)

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Up to 30 days	8,171	5,775
31 to 90 days	1,224	430
91 to 365 days	685	220
Over 365 days	448	—
	10,528	6,425

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

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. This resulted in an increase of the loss allowance on both 31 December 2018 and 2019. Information about the calculation of the allowance, the impairment of trade and other receivables and the Group's exposure to credit risk can be found in Note 3.1(b).

(b) Prepayments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current portion of prepaid taxes other than income tax	73,455	51,792
Prepayments for utilities	15,641	9,265
Prepaid income taxes	1,926	686
	91,022	61,743

13 Financial assets at FVPL

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current	**146,975**	289,176
Non-current	**111,973**	58,337
	258,948	347,513
At beginning of the year	**347,513**	—
Classified as financial assets at FVPL	**—**	325,478
Additions	**126,307**	—
Net fair value changes recognized in profit or loss (Note 27)	**7,392**	22,035
Settlements	**(222,264)**	—
At end of the year	**258,948**	347,513

As at 31 December 2019, financial assets at FVPL are HK$ denominated promissory notes issued by a third party with principal amount of HK$145,000,000 (2018: HK$10,000,000) and US$ denominated promissory notes issued by a third party with principal amount of US$18,500,000 (2018: US$48,500,000). As at 31 December 2019, the maturity dates of US$18,500,000 and HK$20,000,000 are within 1 year, while the maturity date of HK$125,000,000 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 (level 3):

Description	Fair value at 31 December 2019 RMB'000	Valuation technique	Unobservable inputs	Projected rate
Financial assets at FVPL	**258,948**	DCF	Discount rate	2.98%–3.22%

Subsequent to 31 December 2019, management has decided to early redeem all these promissory notes with a gain of RMB242,810. The Group has received all cash proceeds from such redemption before the date of these consolidated financial statements.

14 Cash and cash equivalents and restricted cash

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and on hand	**1,496,430**	2,404,303
Less: Restricted cash		
— Current (i)	**(12,043)**	(91,874)
— Non-current (ii)	**(318,056)**	(312,000)
Cash and cash equivalents	**1,166,331**	2,000,429

(i) As at 31 December 2019, restricted deposits of RMB5,043,000 (2018: RMB442,000) were held at bank for construction deposits and restricted deposits of RMB7,000,000 (2018: RMB91,432,000) were held at bank as collateral for the current portion of long-term bank borrowings (Note 19).

(ii) As at 31 December 2019, restricted deposits of RMB10,016,000 (2018: Nil) were held at bank for construction deposits, restricted deposits of RMB8,040,000 (2018: Nil) were held at bank for construction worker labor fee, restricted deposits of RMB300,000,000 (2018: RMB312,000,000) were held at bank as collateral for the long-term bank borrowings (Note 19).

14 Cash and cash equivalents and restricted cash (continued)

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**1,243,750**	775,210
US$	**85,319**	1,598,313
HK$	**167,361**	30,780
	1,496,430	2,404,303

15 Share capital and premium

(a) Authorized shares

	Number of authorized shares
At 1 January 2018 and 31 December 2018	8,000,000,000
At 1 January 2019 and 31 December 2019	8,000,000,000

15 Share capital and premium (continued)

(b) Issued shares

	Number of issued shares	Ordinary shares RMB'000	Treasury shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2018	2,921,726,000	1,196	—	5,723,416	5,724,612
Issue of ordinary shares (i)	321,068,999	127	—	727,383	727,510
Employee share option scheme					
— Exercise of options (Note 18)	2,483,000	—	—	8,185	8,185
At 31 December 2018	3,245,277,999	1,323	—	6,458,984	6,460,307
At 1 January 2019	**3,245,277,999**	**1,323**	**—**	**6,458,984**	**6,460,307**
Employee share option scheme					
— Exercise of options (Note 18)	**2,491,000**	**—**	**—**	**7,265**	**7,265**
Repurchase of shares (ii)	**—**	**—**	**(25,183)**	**—**	**(25,183)**
Cancellation of shares (iii)	**(13,576,000)**	**(6)**	**25,183**	**(25,177)**	**—**
At 31 December 2019	**3,234,192,999**	**1,317**	**—**	**6,441,072**	**6,442,389**

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

(ii) 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.

(iii) The Company cancelled 13,576,000 shares on 8 February 2019. After the cancellation, the Company's ordinary shares in issue were reduced from 3,245,277,999 to 3,231,701,999. The amount of share capital and share premium was deducted accordingly.

16 Retained earnings

	RMB'000
At 31 December 2017	3,436,564
Change in accounting policy — IFRS 9	(10,839)
At 1 January 2018, restated	3,425,725
Profit for the year	557,231
Appropriation to statutory reserves (Note 17)	(2,769)
At 31 December 2018	3,980,187
Change in accounting policy — IFRS 16 (Note 2.1.1)	**(26,432)**
At 1 January 2019, restated	**3,953,755**
Profit for the year	**331,089**
Appropriation to statutory reserves (Note 17)	**(2,287)**
At 31 December 2019	**4,282,557**

17 Other reserves

	Reorganization reserve RMB'000	Statutory reserves RMB'000	Share-based payments RMB'000	Available-for-sale financial assets RMB'000	Deemed contribution from equity holders RMB'000	Foreign currency translation RMB'000	Total RMB'000
At 31 December 2017	10,461	3,661	21,057	(10,493)	139,716	176	164,578
Change in accounting policy — IFRS 9	–	–	–	10,493	–	–	10,493
At 1 January 2018 (Restated)	10,461	3,661	21,057	–	139,716	176	175,071
Employee share option scheme							
— Value of employee service (Note 18)	–	–	1,692	–	–	–	1,692
— Exercise of share options	–	–	(4,758)	–	–	–	(4,758)
Appropriation to statutory reserves (Note 16), (i)	–	2,769	–	–	–	–	2,769
At 31 December 2018	10,461	6,430	17,991	–	139,716	176	174,774
At 31 December 2018	**10,461**	**6,430**	**17,991**	**–**	**139,716**	**176**	**174,774**
Employee share option scheme							
— Value of employee service (Note 18)	**–**	**–**	**(578)**	**–**	**–**	**–**	**(578)**
— Exercise of share options	**–**	**–**	**(3,722)**	**–**	**–**	**–**	**(3,722)**
Appropriation to statutory reserves (Note 16), (i)	**–**	**2,287**	**–**	**–**	**–**	**–**	**2,287**
Deemed contribution from non-controlling interests	**–**	**–**	**–**	**–**	**16,720**	**–**	**16,720**
At 31 December 2019	**10,461**	**8,717**	**13,691**	**–**	**156,436**	**176**	**189,481**

17 Other reserves (continued)

(i) Pursuant to the Company Law of the PRC and the articles of association of certain PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their registered capital; after the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve. The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand operations, or to increase the capital of the respective companies. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

18 Share-based payments

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

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

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

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

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

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

18 Share-based payments (continued)

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

	Year ended 31 December			
	2019		2018	
	Average exercise price in HK$ per share	Number of options	Average exercise price in HK$ per share	Number of options
As at 1 January	**1.625**	**11,096,200**	1.625	15,443,200
Exercised (Note 15)	**1.625**	**(2,491,000)**	1.625	(2,483,000)
Forfeited during the year	**1.625**	**(1,063,000)**	1.625	(1,864,000)
As at 31 December	**1.625**	**7,542,200**	1.625	11,096,200

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

Grant date	Expiry date	Exercise price in HK$ per share	Number of options as at 31 December 2019	2018
21 March 2016	21 March 2021	1.625	**4,947,200**	8,104,200
28 March 2016	28 March 2021	1.625	**2,595,000**	2,992,000
			7,542,200	11,096,200

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

18 Share-based payments (continued)

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

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

The share option expenses credited to the consolidated statement of comprehensive income during the year ended 31 December 2019 was approximately HK$645,000 (equivalent to RMB578,000) (2018: HK$2,030,000 equivalent to RMB1,692,000 charged to consolidated statement of comprehensive income) (Note 29).

19 Borrowings

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets (a)	**4,075,632**	3,424,778
— secured by equity interest of certain subsidiaries (c)	**50,000**	—
— secured by assets and equity interest of certain subsidiaries (b)	**—**	124,895
Long-term borrowings from other financial institutions		
— unsecured	**—**	684,839
Senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (e)	**2,790,063**	2,707,491
Asset-backed medium-term notes ("ABN")		
— secured by assets (g)	**448,272**	—
	7,363,967	6,942,003
Less: Long-term bank borrowings due within one year	**(446,404)**	(583,709)
Long-term borrowings from other financial institutions due within one year	**—**	(684,839)
Senior notes due within one year	**(1,673,447)**	—
ABN due within one year	**(554)**	—
	5,243,562	5,673,455

19 Borrowings (continued)

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current		
Short-term bank borrowings		
— unsecured (d)	**20,000**	40,000
Short-term senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (f)	**—**	685,396
Current portion of long-term bank borrowings		
— secured by assets (a)	**446,404**	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	**—**	684,839
Current portion of senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (e)	**1,673,447**	—
Current portion of ABN		
— secured by assets (g)	**554**	—
	2,140,405	1,993,944
Total borrowings	**7,383,967**	7,667,399

(a) As at 31 December 2019, bank borrowings of RMB3,514,085,000 (2018: RMB2,614,169,000) with undrawn borrowings amounting to RMB376,500,000 (2018: RMB314,000,000) were secured by the investment properties of the Group amounting to RMB13,029,000,000 (2018: RMB11,007,000,000) (Note 8).

As at 31 December 2019, bank borrowings of RMB298,620,000 (2018: RMB298,920,000) were secured by restricted deposit of the Group amounting to RMB300,000,000 (2018: RMB300,000,000) (Note 14).

As at 31 December 2019, bank borrowings of RMB190,661,000 (2018: RMB209,346,000) were secured by the investment properties of the Group amounting to RMB684,000,000(2018: RMB864,000,000) (Note 8), trade receivables amounting to RMB370,000 (2018: RMB445,000) (Note 12), 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 31 December 2019, bank borrowings of RMB72,266,000 (2018: RMB302,343,000 with undrawn borrowings amounting to RMB76,000,000) were secured by the investment properties of the Group amounting to RMB341,000,000 (2018: RMB1,386,000,000) (Note 8), trade receivables amounting to RMB300,000 (2018: RMB695,000) (Note 12), 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 RMB7,000,000 (2018: RMB34,800,000) (Note 14).

19 Borrowings (continued)

(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 14). The bank borrowings were repaid in 2019.

(c) As at 31 December 2019, bank borrowings of RMB50,000,000 were secured by the Group's equity interests in certain subsidiaries.

(d) As at 31 December 2019, bank borrowings of RMB20,000,000 (2018: RMB40,000,000 with undrawn borrowings amounting to RMB8,000,000) were unsecured.

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

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

On 5 September 2019, the Company announced to offer to exchange the 2017 Notes for the new notes issued by the Company upon the terms and subject to the conditions set forth in the exchange offer and consent solicitation memorandum (the "Exchange Offer"). The Exchange Offer was completed on 25 September 2019, with an aggregate principal amount of US$162,475,000 of new exchange notes (the "2019 New Exchange Notes") issued by the Company. The 2019 New Exchange Notes is secured by guarantees provided by certain subsidiaries of the Group. The 2019 New Exchange Notes will mature on 25 September 2021, unless earlier redeemed in accordance with the terms thereof. The 2019 New Exchange Notes bear interest at a rate of 8.75% per annum payable semi-annually in arrears on 25 March and 25 September of each year, commencing on 25 March 2020.

19 Borrowings (continued)

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

(g) On 24 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 RMB1,463,000,000 (Note 8), trade receivables amounting to RMB182,000 (Note 12), 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.

At 31 December 2019 and 2018, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**4,593,904**	3,589,673
US$	**2,790,063**	4,077,726
	7,383,967	7,667,399

19 Borrowings (continued)

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Floating rate:		
— Expiring within one year	—	76,000
— Expiring over one year	**376,500**	252,000
	376,500	328,000
Fixed rate:		
— Expiring over one year	—	70,000
	376,500	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.

As at 31 December 2019 and 2018, the Group's borrowing were repayable as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**2,140,405**	1,993,944
Between 1 and 2 years	**1,820,148**	3,236,352
Between 2 and 5 years	**1,684,444**	1,473,162
Over 5 years	**1,738,970**	963,941
	7,383,967	7,667,399

As at 31 December 2019, borrowings of RMB4,741,862,000 (2018: RMB4,855,319,000) bear fixed interest rates and the remaining borrowings bear floating interest rates.

19 Borrowings (continued)

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
6 months or less	**1,537,434**	2,507,125
6 to 12 months	**2,696,923**	1,518,280
1 to 5 years	**2,256,211**	3,318,654
Over 5 years	**893,399**	323,340
	7,383,967	7,667,399

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

	As at 31 December	
	2019	2018
RMB	**6.0%**	5.9%
US$	**10.1%**	9.3%

20 Convertible bonds

	Year ended 31 December 2019 RMB'000
At 1 January	**–**
Issuance	**975,034**
Payment of interest	**(34,608)**
Fair value change	**55,833**
At 31 December	**996,259**

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 38(d)).

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").

20 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).

20 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.

20 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.

20 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$3.03
Stock price volatility	37.73%
The average volume-weighted average price (“VWAP”)	HK$3.00
VWAP volatility	34.70%
Coupon rate	6.95%
Effective interest rate	18.76%
Expected dividend yield	0.00%
Risk free rate	1.98%

The fair value of the 2019 Convertible Bonds at 31 December 2019 is HK$1,112,169,569 (equivalent to RMB996,259,257).

Were the Effective interest rate used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2019 Convertible Bonds at 31 December 2019 would be approximately RMB940,282 lower or RMB964,481 higher. Were the volatility and VWAP volatility used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2019 Convertible Bonds at 31 December 2019 would be approximately RMB299,371 higher or RMB235,549 lower.

21 Deferred income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**—**	—
Additions	**10,000**	9,248
Credit to the consolidated statement of comprehensive income (Note 26)	**(10,000)**	(9,248)
At 31 December	**—**	—

These mainly represent government grants received from certain municipal government of the PRC as an encouragement for the Group's construction of investment properties.

22 Long-term payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Rental deposits payable to third parties	**34,215**	33,304
Construction deposits	**26,713**	23,498
Rental deposits payable to related parties (Note 38(g))	**16,728**	32,227
	77,656	89,029

23 Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Payables for construction costs	166,896	110,533
Interest payable	78,820	132,330
Rental deposits payable to related parties (Note 38(g))	29,057	11,767
Rental deposits and other deposits payable to third parties	26,194	18,928
Prepaid rents from related parties (Note 38(g))	25,633	23,519
Prepaid rents from third parties	24,945	20,422
Other taxes payable	24,343	19,933
Accrued operating expenses	20,542	21,807
Payables for land use rights commission fee	11,342	—
Employee benefit payables	11,396	8,353
Payables for commission fees and other expenses related to issuance of senior notes	9,699	10,824
Payables for financing cost of bank borrowings	—	6,500
Others	—	714
	428,867	385,630

At 31 December 2019 and 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 31 December	
	2019	2018
	RMB'000	RMB'000
Up to 1 year	142,108	103,084
1 year to 2 years	23,474	5,227
Over 2 years	1,314	2,222
	166,896	110,533

24 Assets and liabilities classified as held for sale

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

	As at 31 December 2018 RMB'000
Assets classified as held for sale (i)	
Investment properties (Note 8) (ii)	447,000
Other long-term prepayments	871
Trade and other receivables	23,064
Prepayments	4
Cash and cash equivalents	11,900
Total assets classified as held for sale	482,839
Liabilities directly associated with assets classified as held for sale (i)	
Borrowings (ii)	207,255
Long-term payables	1,000
Deferred income tax liabilities (Note 10)	37,586
Trade and other payables	571
Total liabilities classified as held for sale	246,412

(i) Pursuant to the cooperation framework agreement that the Company and LaSalle Investment Management Asia Pte. Ltd. ("LaSalle") entered into in August 2018, the Company, through its subsidiary (as the "Seller"), entered into the sale and purchase agreement with LaSalle (as the "Purchaser") on 9 November 2018. Pursuant to the sale and purchase agreement, the Seller has agreed to sell, and the Purchaser has agreed to purchase about 70% of total issued shares in a project company of the Group. The transaction was completed in June 2019 (Note 27(i)).

(ii) As at 31 December 2018, bank borrowings of RMB207,255,000 with undrawn borrowing amounting to RMB16,500,000 were secured by the project company's investment property amounting to RMB447,000,000 (Note 8).

25 Revenue

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income	**546,001**	510,624
Revenue from providing property management services (i)	**164,908**	71,656
Others	**1,597**	—
	712,506	582,280

(i) Unsatisfied property management services

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term property management services that are partially or fully unsatisfied as at 31 December	**447,782**	386,988

Management expects that approximately 38% of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognized as revenue during 2020, and approximately 24% will be recognized as revenue during 2021. The remaining approximately 38% will be recognized during financial years starting from 2022. The amount disclosed above does not include variable consideration which is constrained.

26 Other income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Asset related government grants (Note 21)	**10,000**	9,248
Income related government grants	**7,246**	2,367
Others	**1,914**	764
	19,160	12,379

27 Other gains — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fair value gains on financial assets at FVPL (Note 13)	**7,392**	22,035
Gains from disposal of subsidiaries (i)	**7,604**	—
Contract termination compensation	**(958)**	(338)
Donations	**(650)**	(30)
Losses from disposal of property, plant and equipment	**(3)**	(324)
Tax charge for the redemption and conversion of the hybrid instruments	**—**	(9,337)
Others	**(143)**	(51)
	13,242	11,955

(i) Disposal of subsidiaries

	Year ended 31 December 2019		
	Management 10	**Management 15**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Consideration received or receivable:			
— Cash	**131,327**	**219,256**	**350,583**
Less: Carrying amount of net assets disposed	**(153,161)**	**(189,818)**	**(342,979)**
(Losses)/gains on disposal before income tax	**(21,834)**	**29,438**	**7,604**
Capital gain tax	**(6,072)**	**(5,835)**	**(11,907)**
(Losses)/gains on disposal after income tax	**(27,906)**	**23,603**	**(4,303)**

27 Other gains — net (continued)

(i) Disposal of subsidiaries (continued)

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 RMB131,327,000 and RMB219,256,000 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.

The carrying amounts of assets and liabilities (after elimination of inter-company transactions) of Management 10 and Management 15 as at the dates of disposals were:

	Management 10 RMB'000	Management 15 RMB'000	Total RMB'000
Property, plant and equipment	9	—	9
Investment properties	484,570	343,474	828,044
Other long-term prepayments	—	2,734	2,734
Trade and other receivables	4,295	29,550	33,845
Prepayments	25,851	21,375	47,226
Cash and cash equivalents	953	12,747	13,700
Total assets	515,678	409,880	925,558
Borrowings	(214,090)	(125,000)	(339,090)
Deferred income tax liabilities	(38,548)	(11,701)	(50,249)
Trade and other payables	(44,238)	(2,010)	(46,248)
Total liabilities	(296,876)	(138,711)	(435,587)
Net assets	218,802	271,169	489,971

27 Other gains — net (continued)

(i) Disposal of subsidiaries (continued)

Cash flows related to the disposal of subsidiaries were:

	Year ended 31 December 2019		
	Management 10 RMB'000	Management 15 RMB'000	Total RMB'000
Consideration received or receivable			
Total disposal consideration	131,327	219,256	350,583
Less: unpaid consideration (Note 12(a))	—	(12,217)	(12,217)
Total consideration received	131,327	207,039	338,366
Less: cash and cash equivalents of the disposed subsidiaries as at disposal dates	(953)	(12,747)	(13,700)
Net proceeds from disposal of subsidiaries	130,374	194,292	324,666

28 Expenses by nature

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Property tax, land tax and other tax charges	**99,288**	101,185
Employee benefit expenses — including directors' emoluments (Note 29)	**54,923**	49,523
Maintenance and repairing costs	**35,296**	30,221
Depreciation of right-of-use assets (Note 7)	**33,263**	—
Professional fees	**28,701**	28,462
Depreciation of property, plant and equipment (Note 6)	**16,421**	7,539
Leasing commission	**12,366**	12,709
Utilities and office expenses	**7,035**	10,449
Travelling expenses	**4,909**	5,300
Auditor's remuneration		
— Audit services	**3,600**	3,600
— Non-audit services	**1,000**	1,000
Insurance expenses	**3,205**	2,784
Entertainment expenses	**2,744**	3,740
Leasing fees (Note 7)	**2,671**	15,567
Bank charges	**606**	444
Impairment losses of property, plant and equipment (Note 6)	**—**	6,966
Other expenses	**1,882**	2,276
Total cost of sales, selling and marketing expenses and administrative expenses	**307,910**	281,765

29 Employee benefit expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, wages and bonuses	45,098	39,471
Employees share option expenses (Note 18)	(578)	1,692
Pension, housing fund, medical insurance and other social insurance	10,403	8,360
Total employee benefit expense	54,923	49,523

(a) Five highest paid individuals

During the year ended 31 December 2019 the five highest paid individuals include four (2018: five) directors of the Company, whose emoluments are reflected in the analysis presented in Note 41. The emoluments payable to the remaining one individual during the years ended 31 December 2019 as follows:

	Year ended 31 December 2019 RMB'000
Salaries, wages and bonuses	983
Pension, housing fund, medical insurance and other social insurance	71
Total employee benefit expense	1,054

For the year ended 31 December 2019, no emoluments were paid by the Group to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

30 Finance expenses — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance expenses		
Interest on bank borrowings	**(241,556)**	(214,951)
Interest on borrowings from other financial institutions	**(35,415)**	(72,332)
Interest on senior notes	**(295,415)**	(250,642)
Interest on ABN	**(21,076)**	—
Interest expense on lease liabilities (Note 7)	**(19,622)**	—
	(613,084)	(537,925)
Less: Capitalization of interest (Note 8)	**142,885**	132,822
Net interest expenses	**(470,199)**	(405,103)
Transaction cost of convertible bonds	**(11,685)**	—
Exchange losses	**(49,265)**	(148,714)
Less: Capitalization of exchange losses (Note 8)	**8,548**	13,481
Net exchange losses	**(40,717)**	(135,233)
	(522,601)	(540,336)
Finance income		
Interest income on bank deposits	**23,409**	15,963
Net finance expenses	**(499,192)**	(524,373)

31 Income tax expense

PRC profits tax has been provided at the rate of 25% on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax		
Current tax on profits for the year	**9,046**	6,738
Capital gain tax (a)	**19,907**	16,445
Withholding tax (b)	**3,930**	—
Adjustments for current tax of prior periods	**(360)**	(5,195)
Total current tax expense	**32,523**	17,988
Deferred income tax	**259,749**	275,991
Income tax expense	**292,272**	293,979

(i) Cayman Islands profits tax

The Company has not been subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% for the remaining assessable profits for the year.

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

CIT is provided at the rate of 25% (2018: 25%) on the assessable income of entities within the Group incorporated in the PRC.

(iv) PRC withholding income tax

According to the new CIT Law, a 10% withholding income tax will be levied on the immediate holding companies established outside the PRC. A lower withholding income tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies.

31 Income tax expense (continued)

(iv) PRC withholding income tax (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before tax	**715,414**	847,531
Tax calculated at domestic tax rates applicable to profits in the respective countries	**262,785**	299,860
Tax effects of:		
— Expenses not deductible for tax purpose	**365**	390
— Income not subject to tax	**(5,928)**	(2,896)
— Tax losses for which the deferred income tax asset was not recognized	**21,081**	15,775
— Utilization of previously unrecognized tax losses	**(9,508)**	(30,400)
— Capital gain tax on disposal of subsidiaries (a)	**19,907**	16,445
— Withholding tax (b)	**3,930**	—
— Adjustments for current tax of prior periods	**(360)**	(5,195)
Tax charge	**292,272**	293,979

During the year ended 31 December 2019, the effective tax rate is 40.9% (2018: 34.7%).

(a) Save as disclosed in Note 35(b) to the consolidated financial statements, the Group and ICBC International Investment Management Limited ("ICBCI Investment Management") established a limited partnership in December 2018, which involved the transfer of equity interest in certain project companies wholly owned by certain overseas subsidiaries of the Company, to the limited partnership. After the equity transfer, the project companies are still controlled by the Company. The transfer of equity interest was subject to a 10% capital gain tax. As of the date of this consolidated financial statements, the filing of such equity transfer transaction has not been completed with relevant local tax authorities. The capital gain tax amount reflected management's best estimation based on the interpretation of the related tax regulations.

Save as disclosed in Note 27(i) to the consolidated financial statements, the Group sold about 70% of total equity interest in certain project companies to LaSalle. The transfer of equity interest was subject to a 10% capital gain tax. The filing of such equity transfer transaction was completed with relevant capital gain tax paid in 2019.

(b) During the year ended 31 December 2019, certain subsidiaries of the Group established in the PRC have entered into loan agreements with subsidiaries establish in Hong Kong. Interest income earned by Hong Kong subsidiaries is subject to withholding income tax.

32 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
Profit attributable to equity owners of the Company (RMB'000)	**331,089**	557,231
Weighted average number of ordinary shares in issue	**3,233,647,439**	3,129,270,368
Basic earnings per share (RMB per share)	**0.1024**	0.1781

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Year ended 31 December	
	2019	2018
Profit attributable to equity owners of the Company (RMB'000)	**331,089**	557,231
Weighted average number of ordinary shares in issue	**3,233,647,439**	3,129,270,368
Adjustment for shares granted under share option scheme	**3,273,242**	3,525,362
Weighted average number of ordinary shares for diluted earnings per share	**3,236,920,681**	3,132,795,730
Diluted earnings per share (RMB per share)	**0.1023**	0.1779

During the year ended 31 December 2019, the Group's convertible bonds were anti-dilutive and, accordingly, were excluded from the computation of diluted earnings per share.

33 Dividends

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2019.

34 Cash flow information

(a) Cash generated from operations

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**715,414**	847,531
Adjustments for:		
— Depreciation of property, plant and equipment (Note 6)	**16,421**	7,539
— Depreciation of right-of-use assets (Note 7)	**33,263**	—
— Fair value gains on investment properties — net (Note 8)	**(746,215)**	(948,244)
— Fair value gains on financial assets at FVPL (Note 27)	**(7,392)**	(22,035)
— Gains from disposal of subsidiaries (Note 27)	**(7,604)**	—
— Fair value losses on convertible bonds (Note 20)	**55,833**	—
— Losses from disposal of property, plant and equipment (Note 27)	**3**	324
— Amortization of intangible asset	**238**	107
— Impairment losses on trade and other receivables (Note 3.1(b))	**1,349**	5,516
— Impairment losses of property, plant and equipment (Note 28)	**—**	6,966
— Share-based payment (Note 18)	**(578)**	1,692
— Finance expenses — net (Note 30)	**499,192**	524,373
— Share of results of associated companies (Note 9)	**(88,575)**	(104,327)
— Asset related government grant (Note 26)	**(10,000)**	(9,248)
— Decrease in trade and other receivables	**61,918**	15,800
— Increase/(Decrease) in trade and other payables	**87,247**	(33,297)
Cash generated from operations	**610,514**	292,697

34 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

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

				Non-cash changes					
	Year ended 31 December 2018 RMB'000	Recognised on adoption of IFRS 16 RMB'000	Cashflows RMB'000	Fair value change of convertible bonds RMB'000	Interest expenses and transaction cost RMB'000	Net exchange losses RMB'000	Disposal of subsidiaries RMB'000	Re-measurement of lease liabilities RMB'000	Year ended 31 December 2019 RMB'000
Bank borrowings and interest	3,603,751	–	315,679	–	236,109	–	–	–	4,155,539
Borrowings from other institutions and interest	713,933	–	(753,030)	–	35,415	3,682	–	–	–
Senior notes and interest	3,499,369	–	(984,442)	–	295,415	54,001	–	–	2,864,343
ABN and interest	–	–	431,529	–	21,076	–	–	–	452,605
Lease liabilities	–	342,924	(18,105)	–	19,622	–	–	(35,367)	309,074
Convertible bonds and interest	–	–	928,741	55,833	11,685	–	–	–	996,259
Bank borrowings and interest classified as held for sale	207,575	–	127,112	–	5,447	–	(340,134)	–	–
	8,024,628	342,924	47,484	55,833	624,769	57,683	(340,134)	(35,367)	8,777,820

			Non-cash changes			
	Year ended 31 December 2017 RMB'000	Cashflows RMB'000	Interest expenses RMB'000	Net exchange losses RMB'000	Classified as liabilities held for sale RMB'000	Year ended 31 December 2018 RMB'000
Bank borrowings and interest	3,551,977	44,398	214,951	–	(207,575)	3,603,751
Borrowings from other institutions and interest	1,367,397	(757,753)	72,332	31,957	–	713,933
Senior notes and interest	1,978,298	1,119,963	250,642	150,466	–	3,499,369
Bank borrowings and interest classified as held for sale	–	–	–	–	207,575	207,575
	6,897,672	406,608	537,925	182,423	–	8,024,628

35 Subsidiaries

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019

(i) Major Subsidiaries — established in the PRC

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Shanghai Yupei	12 June 2000	Private enterprise	339,671	339,671	**99.99%**	99.99%	**0.01%***	0.01%*	Construction of storage facilities related to warehousing service
Tianjin Yupei Warehousing Co., Ltd.	27 March 2014	Private enterprise	110,000	110,000	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, warehouse leasing, logistics, development and construction of warehousing facilities
Hefei Yuhang Warehousing Co., Ltd.	13 May 2014	Private enterprise	62,750	62,750	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, warehouse leasing
Wuhu Yupei Investment Management Co., Ltd.	13 November 2013	Private enterprise	101,010	101,010	**99.99%**	99.99%	**0.01%***	0.01%*	Investment management, project investment, enterprise management consulting
Chuzhou Yuhang Logistics Co., Ltd.	27 August 2007	Private enterprise	50,000	50,000	**99.99%**	99.99%	**0.01%***	0.01%*	Cargo warehousing, cargo agents, stowage loading and unloading and related business advisory service

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Shenyang Yupei Warehousing Co., Ltd. (a)	28 February 2012	Private enterprise	50,000	50,000	**51%**	51%	**49%**	49%	Self-owned buildings leasing, warehousing services (excluding hazardous chemicals)
Shenyang Yuhang Logistics Co., Ltd.	25 March 2011	Private enterprise	90,000	90,000	**99.99%**	99.99%	**0.01%***	0.01%*	Self-owned buildings leasing, warehousing services (Excluding inflammable and explosive hazardous chemicals)
Wuhan Yupei Warehousing Co., Ltd.	2 August 2011	Private enterprise	66,000	66,000	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, cargo transportation consulting services
Beijing Linhaitan Trading Co., Ltd.	31 July 2006	Private enterprise	140,000	140,000	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing, sales of building materials
Wuhu Yupei Warehousing Co., Ltd.	7 March 2013	Private enterprise	80,000	80,000	**99%**	99%	**1%***	1%*	General cargo warehousing facilities rental, general cargo warehousing (except hazardous chemicals)
Changchun Yupei Warehousing Co., Ltd.	24 December 2013	Private enterprise	70,450	70,450	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing, house lease, property development and management

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Suzhou Yupei Warehousing Co., Ltd.	30 October 2012	Private enterprise	179,000	179,000	**99.99%**	99.99%	**0.01%***	0.01%*	Construction and management of storage facilities, property management
Zhengzhou Yupei Warehousing Co., Ltd. (a)	28 February 2014	Private enterprise	130,000	130,000	**51%**	51%	**49%**	49%	Warehousing services
Jiaxing Yupei Warehousing Co., Ltd	11 July 2014	Private enterprise	311,657	311,657	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistic information consulting services
Jinan Yupei Warehousing Service Co., Ltd.	6 August 2014	Private enterprise	70,707	70,707	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, self-owned building leasing, logistic information consulting services

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities
			RMB'000	RMB'000	**2019**	2018	**2019**	2018	
Nantong Yupei Warehousing Co., Ltd.	19 September 2014	Private enterprise	125,101	49,251	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, management of storage facilities and other services, logistics information consulting services, self-owned building leasing and property management
Tianjin Yupei Logistics Co., Ltd.	16 September 2014	Private enterprise	187,444	96,874	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, management of storage facilities and other services, logistic information consulting services
Suzhou Yuqing Warehousing Co., Ltd.	10 October 2014	Private enterprise	202,020	202,020	**99.99%**	99.99%	**0.01%***	0.01%*	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities
			RMB'000	RMB'000	2019	2018	2019	2018	
Changzhou Yupei Warehousing Co., Ltd.	8 October 2014	Private enterprise	247,475	92,475	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing management (excluding hazardous article), related consulting and services, property management and self-owned buildings leasing
Huai'an Yupei Warehousing Co., Ltd.	31 October 2014	Private enterprise	92,929	92,929	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, management of storage facilities, logistic information consulting services
Zhaoqing Yupei Warehousing Co., Ltd.	3 December 2014	Private enterprise	131,313	131,313	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistics information consulting

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Shanxi Xixian New District Yupei Warehousing Co., Ltd.	18 December 2014	Private enterprise	186,414	186,414	**99.99%**	99.99%	**0.01%***	0.01%*	Construction and operation of business distribution and settlement center and related supporting supply chain management system; management of order producing, tracking, settlement; management of warehousing services and warehousing facilities; self-owned building leasing; Warehouse leasing; Logistics information consulting services
Wuxi Yupei Warehousing Development Co., Ltd. (a)	5 December 2014	Private enterprise	US$101,010	US$101,010	**51%**	51%	**49%**	49%	Warehousing service (except hazardous chemicals) and consulting services, storage facilities leasing, property management
Changsha Yupei Warehousing Co., Ltd.	8 May 2015	Private enterprise	186,869	126,869	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing management and consulting service; cargo storage (exclude hazardous article); building leasing, logistics information and consulting service

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Shanghai Qingyang Horticulture Co., Ltd.	3 July 2001	Private enterprise	5,051	5,051	**99.98%**	99.98%	**0.02%***	0.02%*	Flowers, seedling, fruit trees planting; landscape engineering; greening projects; warehousing service (except hazardous chemicals)
Suzhou Yuzhen Warehousing Co., Ltd.	28 November 2014	Private enterprise	505,051	261,851	**99.99%**	99.99%	**0.01%***	0.01%*	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services
Shanghai Yuzai Investment Management Co., Ltd.	16 January 2015	Private enterprise	150,000	150,000	**100%**	100%	**–**	–	Investment management, project investment, enterprise management consulting
Xianyang Yupei Warehousing Co., Ltd.	6 February 2015	Private enterprise	101,010	–	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Haerbin Yupei Warehousing Co., Ltd.	5 February 2015	Private enterprise	173,061	61,731	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Dalian Yupei Warehousing Co., Ltd.	19 May 2015	Private enterprise	505,051	191,051	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Chongqing Yupei Warehousing Co., Ltd.	27 January 2015	Private enterprise	202,020	165,020	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing service (except hazardous chemicals); storage facilities leasing, self-owned building leasing (exclude accommodation); logistics information consulting service; manufacturing and selling automobile components and parts; property management

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Huizhou Yuanwang Technology Park Development Co., Ltd.	11 October 2012	Private enterprise	95,960	95,960	**99.98%**	99.98%	**0.02%***	0.02%*	Management of storage facilities; warehousing management and related consulting and services; self-owned building leasing, property management and consulting service
Chengdu Yuhang Warehousing Co., Ltd.	16 April 2010	Private enterprise	131,313	131,313	**99.99%**	99.99%	**0.01%***	0.01%*	Production and sales of steel structure, painted metal and other metals; logistics service; warehousing service (except hazardous chemicals); property management and consulting service; lease of plants; goods and technology importation and exportation
Zhengzhou Hozdo Logistics Co., Ltd.	29 July 2011	Private enterprise	50,505	50,505	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services (excluding inflammable and explosive hazardous chemicals), self-owned buildings leasing, logistic information consulting services and related technical advisory

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Shanghai Yuheng Logistics Management Co., Ltd.	9 October 2015	Private enterprise	1,000	1,000	**100%**	100%	**–**	–	Logistics management; logistic information consulting services; warehousing service (except hazardous chemicals); business consulting; industrial investment; property management; hotel management
Shanghai Shuozheng Trading Co., Ltd.	30 January 2015	Private enterprise	111,111	111,111	**99.98%**	99.98%	**0.02%***	0.02%*	Investment management consulting; business information consulting; enterprise management consulting; marketing planning; enterprise image design; warehousing service (except hazardous chemicals); research and sales of storage facilities
Jinan Yuzhen Warehousing Co., Ltd.	11 August 2015	Private enterprise	371,000	369,950	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services (excluding hazardous chemicals); self-owned buildings leasing; construction and management of storage facilities

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities
			RMB'000	RMB'000	**2019**	2018	**2019**	2018	
Nanchang Yupei Warehousing Co., Ltd.	6 September 2016	Private enterprise	186,869	41,869	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing services; construction and management of storage facilities; self-owned buildings leasing; logistics information consulting services; property management services
Zhoushan Yupei Warehousing Co., Ltd.	11 October 2016	Private enterprise	133,333	77,883	**99.99%**	99.99%	**0.01%***	0.01%*	Construction, management and leasing of storage facilities; warehousing service (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting service; R&D and manufacturing of logistics equipment

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Zhoushan Yuhang Warehousing Co., Ltd.	26 October 2016	Private enterprise	60,606	60,606	**99.99%**	99.99%	**0.01%***	0.01%*	Construction, management and leasing of storage facilities (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting services
Guiyang Yupei Warehousing Co., Ltd.	2 November 2016	Private enterprise	227,273	185,273	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing service; construction and management of storage facilities; construction and management of workshop; self-owned buildings leasing; storage facilities leasing; distribution and settlement of e-commerce; logistics information consulting services; property management and consulting services

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Kunming Yupei Warehousing Co., Ltd.	9 November 2016	Private enterprise	191,919	147,219	**99.99%**	99.99%	**0.01%***	0.01%*	Warehousing service; development, construction and management of storage facilities; logistics information consulting services; property management and consulting services
Shanghai Yuji industrial Co., Ltd.	19 January 2018	Private enterprise	166,667	166,667	**99.98%**	99.98%	**0.02%***	0.02%*	Real estate development, self-owned building leasing, property management, warehousing services (except dangerous chemicals), sales of machinery and equipment, automotive parts, business consultation, engaged in technology development, technical consultation and technical services in the field of new energy science and technology

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities
					2019	2018	**2019**	2018	
Qingdao Yuhang Warehousing Co., Ltd.	12 December 2018	Private enterprise	159,790	137,570	**100%**	100%	**–**	–	Warehousing services (except banned and inflammable articles and dangerous chemicals); construction, development and operation of warehousing facilities; logistics information consulting services; property management services

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2019	2018	Ownership held as at 31 December by non-controlling interests 2019	2018	Principal activities
Zhejiang Zhiyao Wulian Technology Co., Ltd.	27 February 2019	Private enterprise	141,532	122,766	**100%**	–	**–**	–	Technology development, technical consulting, technical services, technology transfer in the field of Internet of Things technology, computer software and hardware, mechanical and electrical equipment, electronic products, packaging materials wholesale and retail; own house leasing, machinery and equipment leasing, business information consulting, general goods Warehousing services, wholesale, retail, technical consulting, technical services, property services of warehousing equipment; self-employed and agency import and export of goods and technologies

35 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2019 (continued)

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

* In accordance with the equity transfer and contribution agreements entered into by the Group with Yaochang International Co., Ltd. ("Yaochang") and Shengtai International Group Ltd. ("Shengtai"), respectively, in 2018, the Group transferred 0.01%–1%, where applicable, the equity interests in these subsidiaries to Yaochang and Shengtai, respectively, for a total cash consideration of RMB1,300,000.

(ii) Subsidiaries — established in the Cayman Islands ("Cayman"), British Virgin Islands ("B.V.I") and Hong Kong ("HK")

The Company has several wholly owned subsidiaries established in Cayman, B.V.I and HK. These subsidiaries are all investment holding companies.

(b) Material non-controlling interests

As at 31 December 2019, the total non-controlling interests is RMB824,752,000 (2018: RMB798,621,000), of which RMB823,515,000 (2018: RMB796,971,000) is attributed by Yupei Logistics Property Fund I Limited Partnership ("Fund").

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

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

35 Subsidiaries (continued)

(b) Material non-controlling interests (continued)

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

Summarized financial information on subsidiaries with material non-controlling interests

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

Summarized consolidated balance sheet of the Fund

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current		
Assets	**98,254**	473,930
Liabilities	**(302,442)**	(487,067)
Total net current liabilities	**(204,188)**	(13,137)
Non-current		
Assets	**2,651,429**	2,191,586
Liabilities	**(766,598)**	(551,977)
Total net non-current assets	**1,884,831**	1,639,609
Net assets	**1,680,643**	1,626,472

35 Subsidiaries (continued)

(b) Material non-controlling interests (continued)

Summarized consolidated statement of comprehensive income of the Fund

	Year ended 31 December 2019 RMB'000
Revenue	97,075
Profit for the period	188,013
Total comprehensive income	188,013
Profit allocated to non-controlling interests	92,126
Deemed contribution from non-controlling interests	(16,380)
Dividends paid to non-controlling interests	(49,202)

Summarized consolidated statement of cash flows of the Fund

	Year ended 31 December 2019 RMB'000
Cash flows from operating activities	82,239
Cash flows from investing activities	(457,194)
Cash flows from financing activities	47,339
Net decrease in cash and cash equivalents	**(327,616)**

36 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investment properties	**1,014,217**	1,725,507

(b) Operating lease commitments

As at 31 December 2019, the Group leases offices under non-cancellable operating lease agreements. The lease terms are within 2 years.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
No later than 1 year	**2,091**	534
Later than 1 year and no later than 5 years	**567**	—
	2,658	534

(c) Repairs and maintenance on investment properties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contractual obligation for future repairs and maintenance-not recognized as a liability	**16,122**	13,367

37 Contingencies

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

38 Related party transactions

Mr. Li Shifa ("Mr. Li") and Ms. Ma Xiaocui ("Ms. Ma") (the spouse of Mr. Li) are the substantial shareholders of the Group and their subsidiaries are regarded as the related parties.

As disclosed in Note 15(b)(i), JD Subscriber subscribed for 321,068,999 newly issued shares of the Company on 11 May 2018. After the completion of the subscription, JD Subscriber holds 9.9% of the total issued shares of the Company. Also by representation in the Company's Board, JD Subscriber has significant influence over the Company, and therefore is regarded as the related party since 11 May 2018. As JD Subscriber is ultimately controlled by JD.com, Inc. and all its subsidiaries (together "JD Subsidiaries") are regarded as the related parties since 11 May 2018.

Names and relationships with related parties are as follows:

Company name	Relationships
Shanghai Yupei Industrial (Group) Co., Ltd. ("Shanghai Yupei Industrial")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei 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 Group
Management 10	Associate of the Group
Management 15	Associate of the Group
JD Subsidiaries	Ultimately controlled by JD.com, Inc.
Berkeley Asset	Substantial shareholder of the Group

38 Related party transactions (continued)

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. The significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2019 and 2018, and balances arising from related party transactions as at 31 December 2019 and 2018 are summarized below.

(a) Services provided by related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Leasing fees		
— Shanghai Hongyu	**—**	13,927

(b) Services provided to related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income and revenue from providing property management services to		
— Yupei Express Logistics	**6,879**	9,349
— Yupei Building Materials	**—**	5,691
— Yupei Supply Chain	**42,939**	17,850
— Shanghai Yupei Industrial	**6,211**	3,300
	56,029	36,190

	Year ended 31 December	Period from 11 May to 31 December
	2019	2018
	RMB'000	RMB'000
Rental income and revenue from providing property management services to		
— JD Subsidiaries	**208,535**	128,589

38 Related party transactions (continued)

(c) Lease transactions with a related party

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Acquisition of right-of-use assets from (Note 2.1.1)		
— Shanghai Hongyu	307,681	—
Interest expense on lease liabilities (Note 30)		
— Shanghai Hongyu	19,622	—
Lease fee payment to		
— Shanghai Hongyu	18,105	—

(d) Convertible bonds subscribed by a related party

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Principal amount of convertible bonds subscribed by		
— Berkeley Asset (Note 20)	589,000	—

(e) Advances to a related party

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Shanghai Hongyu	32,392	—

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

38 Related party transactions (continued)

(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 summarized below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees	**1,595**	1,540
Salaries and allowance	**11,294**	9,745
Employees share option expenses	**653**	3,411
Other social security cost, housing benefits and other employee benefits	**822**	702
	14,364	15,398

38 Related party transactions (continued)

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Prepayment to		
— JD Subsidiaries	181	149
Long-term trade receivables and trade receivables from related parties (Note 11(a))		
— JD Subsidiaries	5,227	4,753
— Yupei Supply Chain	1,217	1,039
— Shanghai Yupei Industrial	93	57
— Yupei Express Logistics	46	127
	6,583	5,976
Rental deposits and other receivables from (Note 12(a))		
— Shanghai Hongyu		
— Advances	32,392	—
— Rental deposits	2,000	2,000
— Management 15	32	—
— Management 10	12	
— Development 15	9	—
— Development 10	4	—
	34,449	2,000
Long-term rental deposits payable to (Note 22)		
— JD Subsidiaries	16,728	31,644
— Yupei Express Logistics	—	329
— Yupei Supply Chain	—	254
	16,728	32,227

38 Related party transactions (continued)

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Prepaid rents from (Note 23)		
— JD Subsidiaries	**25,577**	23,502
— Yupei Supply Chain	**56**	17
	25,633	23,519
Rental deposits payable to related parties (Note 23)		
— JD Subsidiaries	**27,395**	8,725
— Yupei Express Logistics	**1,400**	2,252
— Yupei Supply Chain	**262**	746
— Yupei Building Materials	**—**	44
	29,057	11,767
Leasing liabilities (Note 7)		
— Shanghai Hongyu		
— Current	**14,815**	—
— Non-current	**294,259**	—
	309,074	—

The receivables from and payables to related parties as at 31 December 2019 and 31 December 2018 arise mainly from ordinary course of businesses. The receivables are unsecured in nature and bear no interest except for the advances to Shanghai Hongyu, which was repaid in January 2020. There are no provisions made against receivables from related parties.

39 Events occurring after the balance sheet date

(a) Coronavirus outbreak

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including but not limited to, extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over people travelling and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

(b) Sale and purchase agreement with LaSalle

Pursuant to the cooperation framework agreement that the Company and LaSalle entered into in August 2018, the Company, through its subsidiaries (as the "Seller"), entered into the sale and purchase agreements with LaSalle (as the "Purchaser") on 26 March 2020. Pursuant to the sale and purchase agreements, the Seller has agreed to sell, and the Purchaser has agreed to purchase about 90% of total issued shares in certain project companies of the Group with total consideration of RMB596,296,000. As of the date of the consolidated financial statements, the transaction is still in progress in accordance with the sales and purchase agreements, which is expected to be completed within 12 months' period.

Save as disclosed above there are no other material subsequent events undertaken by the Company or by the Group after 31 December 2019.

40 Balance sheet and reserve movement of the Company

Balance sheet of the Company

		As at 31 December	
		2019	2018
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**6,101,928**	6,104,637
Financial assets at FVPL	13	**111,973**	58,337
Long-term prepaid		**47**	65
		6,213,948	6,163,039
Current assets			
Trade and other receivables		**281,712**	9,182
Prepayments		**1,635**	568
Loans to subsidiaries		**3,062,145**	3,105,050
Financial assets at FVPL	13	**146,975**	289,176
Cash and cash equivalents		**83,281**	112,337
		3,575,748	3,516,313
Total assets		**9,789,696**	9,679,352
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital and premium	15	**6,442,389**	6,460,307
Other reserves	(a)	**153,407**	157,707
Accumulated losses	(a)	**(1,720,148)**	(1,277,695)
Total equity		**4,875,648**	5,340,319

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

Balance sheet of the Company (continued)

		As at 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
Liabilities			
Non-current liabilities			
Convertible bonds	20	**996,259**	—
Borrowings	19	**1,116,616**	2,707,491
		2,112,875	2,707,491
Current liabilities			
Borrowings	19	**1,673,447**	1,370,235
Amounts due to subsidiaries		**1,039,297**	118,799
Trade and other payables		**385,666**	142,508
Current income tax liabilities		**2,763**	—
		2,801,173	1,631,542
Total liabilities		**4,914,048**	4,339,033
Total equity and liabilities		**9,789,696**	9,679,352

The balance sheet of the Company was approved by the Board on 24 April 2020 and was signed on its behalf by:

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Li Shifa

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Cheuk Shun Wah

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

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Share-based payment RMB'000 (Note 17)	Available-for-sales financial assets RMB'000 (Note 17)	Deemed contribution from Yupei International Investment Management Co., Ltd RMB'000 (Note 17)	Total RMB'000
At 31 December 2017	(781,102)	21,057	(10,493)	139,716	(630,822)
Change in accounting policy					
— IFRS 9	(10,493)	—	10,493	—	—
At 1 January 2018	(791,595)	21,057	—	139,716	(630,822)
Loss for the year	(486,100)	—	—	—	(486,100)
Employee share option scheme					
— Value of employee services	—	1,692	—	—	1,692
— Exercise of share options	—	(4,758)	—	—	(4,758)
At 31 December 2018	(1,277,695)	17,991	—	139,716	(1,119,988)
At 1 January 2019	**(1,277,695)**	**17,991**	**—**	**139,716**	**(1,119,988)**
Loss for the year	**(442,453)**	**—**	**—**	**—**	**(442,453)**
Employee share option scheme					
— Value of employee services	**—**	**(578)**	**—**	**—**	**(578)**
— Exercise of share options	**—**	**(3,722)**	**—**	**—**	**(3,722)**
At 31 December 2019	**(1,720,148)**	**13,691**	**—**	**139,716**	**(1,566,741)**

41 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company for the years ended 31 December 2019 and 2018 are set out as follows:

	Year ended 31 December 2019					
Name of Director	Fees RMB'000	Salaries RMB'000	Employees share option expenses RMB'000	Employer's contribution to a pension plan RMB'000	Other social security cost and employee benefits RMB'000	Total RMB'000
Executive Directors:						
Mr. Li (i)	–	2,008	–	49	52	2,109
Mr. Pan Naiyue (ii)	–	502	–	18	16	536
Mr. Wu Guolin	–	1,179	203	49	52	1,483
Ms. Li Huifang	–	949	77	49	52	1,127
Mr. Chen Runfu	–	–	–	–	–	–
Ms. Shi Lianghua	–	894	179	49	52	1,174
Mr. Xie Xiangdong (iii)	–	708	59	49	52	868
Mr. Cheuk Shun Wah	–	4,335	–	16	–	4,351
Non-executive Directors:						
Ms. Li Qing	–	–	245	–	–	245
Mr. Huang Xufeng	–	–	–	–	–	–
Mr. Fu Bing	–	–	–	–	–	–
Independent Non-executive Directors:						
Mr. Guo Jingbin	319	–	–	–	–	319
Mr. Fung Ching Simon	319	–	–	–	–	319
Mr. Wang Tianye	319	–	–	–	–	319
Mr. Leung Chi Ching	319	–	–	–	–	319
Mr. Chen Yaomin	319	–	–	–	–	319
	1,595	10,575	763	279	276	13,488

41 Benefits and interests of directors (continued)

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

	Year ended 31 December 2018					
Name of Director	Fees RMB'000	Salaries RMB'000	Employees share option expenses RMB'000	Employer's contribution to a pension plan RMB'000	Other social security cost and employee benefits RMB'000	Total RMB'000
Executive Directors:						
Mr. Li (i)	–	1,301	–	50	45	1,396
Mr. Pan Naiyue (ii)	–	1,230	708	50	45	2,033
Mr. Zhang Long	–	419	–	20	18	457
Mr. Wu Guolin	–	740	627	50	45	1,462
Ms. Li Huifang	–	709	238	50	45	1,042
Mr. Chen Runfu	–	–	–	–	–	–
Ms. Shi Lianghua	–	566	552	50	45	1,213
Mr. Cheuk Shun Wah	–	3,394	–	15	–	3,409
Non-executive Directors:						
Ms. Li Qing	–	–	632	–	–	632
Mr. Huang Xufeng	–	–	–	–	–	–
Mr. Fu Bing	–	–	–	–	–	–
Independent Non-executive Directors:						
Mr. Guo Jingbin	308	–	–	–	–	308
Mr. Fung Ching Simon	308	–	–	–	–	308
Mr. Wang Tianye	308	–	–	–	–	308
Mr. Leung Chi Ching	308	–	–	–	–	308
Mr. Chen Yaomin	308	–	–	–	–	308
	1,540	8,359	2,757	285	243	13,184

41 Benefits and interests of directors (continued)

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

(i) Mr. Li was appointed as chief executive officer of the Company on 26 April 2019.

(ii) Mr. Pan resigned from executive director and chief executive officer of the Company on 26 April 2019.

(iii) Mr. Xie was appointed as executive director of the Company on 26 April 2019.

During the year ended 31 December 2019, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil). No directors waived or had agreed to waive any emoluments.

(b) Directors' retirement benefits

During the year ended 31 December 2019, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2018: Nil).

(c) Directors' termination benefits

During the year ended 31 December 2019, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2018: Nil).

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

During the year ended 31 December 2019, no consideration was provided to or receivable by third parties for making available director's services (2018: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities at the years ended 31 December 2019 and 2018 or at any time during the years.

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

Except as disclosed in Note 38, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the years ended 31 December 2019 and 2018 or at any time during the years.


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