



中国物流资产 *CHINA LOGISTICS  
PROPERTY HOLDINGS*

中國物流資產控股有限公司

CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD

(於開曼群島註冊成立的有限公司)

Incorporated in the Cayman Islands with Limited Liability)

股份代號 STOCK CODE : 1589



2020

Interim Report

中期報告

開啓新篇章

START  
A NEW  
CHAPTER

物流設施提供商 · 服務商

LOGISTICS FACILITIES AND SERVICE PROVIDER



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Li Shifa (*Chairman and Chief Executive Officer*)

Mr. Wu Guolin

Ms. Li Huifang

Mr. Chen Runfu

Mr. Cheuk Shun Wah

Ms. Shi Lianghua

Mr. Xie Xiangdong

### Non-executive Directors

Mr. Huang Xufeng

Ms. Li Qing

Mr. Fu Bing

### Independent Non-executive Directors

Mr. Guo Jingbin

Mr. Fung Ching Simon

Mr. Wang Tianye

Mr. Leung Chi Ching Frederick

Mr. Chen Yaomin

## AUDIT COMMITTEE

Mr. Fung Ching Simon (*Chairman*)

Mr. Guo Jingbin

Mr. Leung Chi Ching Frederick

## NOMINATION COMMITTEE

Mr. Li Shifa (*Chairman*)

Ms. Li Qing

Mr. Guo Jingbin

Mr. Wang Tianye

Mr. Leung Chi Ching Frederick

## REMUNERATION COMMITTEE

Mr. Guo Jingbin (*Chairman*)

Mr. Li Shifa

Ms. Li Qing

Mr. Fung Ching Simon

Mr. Wang Tianye

## COMPANY SECRETARY

Ms. So Ka Man

## AUTHORIZED REPRESENTATIVES

Ms. Li Qing

Ms. So Ka Man

## LEGAL ADVISORS

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## AUDITOR

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*Certified Public Accountants*

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Hong Kong

## COMPANY'S WEBSITE

[www.cnlpholdings.com](http://www.cnlpholdings.com)

## STOCK CODE

1589

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Cayman Islands

## HONG KONG SHARE REGISTRAR

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## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Harneys Fiduciary (Cayman) Limited  
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Grand Cayman KY1-1002  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL BANKS

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

# Business Overview and Outlook

## BUSINESS OVERVIEW

As of 30 June 2020, China Logistics Property Holdings Co., Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) had 164 logistics facilities in operation in 35 logistics parks located in logistics hubs in 18 provinces or centrally administered municipalities.

As demands from tenants in e-commerce and third-party logistics (“**3PL**”) providers industries continued to increase, the Group expanded its network of logistics facilities to cope with such demands and thereby grew its revenue by 10.5% from RMB351.1 million for the six months ended 30 June 2019 to RMB388.0 million for the six months ended 30 June 2020 (the “**Reporting Period**”). The Group’s gross profit increased from RMB274.5 million for the six months ended 30 June 2019 to RMB299.4 million for the Reporting Period.

### Major Operating Data of the Group’s Logistics Parks

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

	As of 30 June 2020	As of 31 December 2019
<b>Completed GFA:</b>		
Stabilized logistics parks (million sq.m.) <sup>(1)</sup>	2.8	2.8
Pre-stabilized logistics parks (million sq.m.) <sup>(2)</sup>	0.4	0.6
Total (million sq.m.)	3.2	3.4
Logistics parks under development or being repositioned (million sq.m.)	0.6	0.6
Land held for future development (million sq.m.)	0.6	0.6
Investments accounted for using equity method (million sq.m.)	0.6	0.3
Total GFA (million sq.m.)	5.0	4.9
Investment projects (million sq.m.) <sup>(3)</sup>	4.4	4.6
Occupancy rate for stabilized logistics parks (%) <sup>(1)</sup>	89.7	90.3

(1) Logistics facilities (i) for which construction have been completed for more than 12 months as of 30 June 2020 or 31 December 2019 (as the case may be) or (ii) reached an occupancy rate of 90%.

(2) Logistics facilities (i) for which construction or acquisition have been completed for less than 12 months as of 30 June 2020 or 31 December 2019 (as the case may be) or (ii) reached an occupancy rate less than 90%.

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

The Group continues to accelerate the development of the asset-light business model. 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., entered into a series of sale and purchase agreements with LaSalle. In March 2020, the Company entered into agreements on the second phase of the fund with LaSalle, jointly investing RMB663 million to operate the Group’s warehousing projects. The Company has taken on the role of an asset manager to provide project and property management services for the warehousing projects. 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 a funding model enables the Group to leverage external capital resources to accelerate its expansion. For further details, please refer to the announcement of the Company dated 26 March 2020.

In June 2020, the Company and certain of its subsidiaries (as guarantors) entered into a subscription agreement with BCC Leap Holdco, L.P. (“**BCC**”) in relation to the issuance of convertible bonds with an aggregate principal amount of US\$100,000,000 at the rate of 6.95% due 2025 (the “**2020 Convertible Bonds**”). The bonds will not be offered to the public in Hong Kong. The Company has applied to and obtained from The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the listing of and permission to deal in the Company’s shares (the “**Shares**”) to be allotted and issued by the Company upon exercise of the conversion right attached to the convertible bonds. The net proceeds of the convertible bonds issue will be used for the repayment in full of the senior secured notes due 30 November 2020 issued by the Company, with the remainder to be applied towards the Company’s general corporate purposes, such as development of new projects. For further details, please refer to the announcements of the Company dated 29 June 2020 and 7 July 2020.

## INDUSTRY OVERVIEW

Since the beginning of this year, the sudden COVID-19 outbreak has brought an unprecedented hit to the global economy and resulted in the worst recession since the Great Depression in the 1930s. According to the World Economic Outlook Report issued by the International Monetary Fund (IMF) on 24 June 2020, the global economy is expected to shrink by 4.9% in 2020, and the global major economies, other than China, are expected to experience shrinkage of varying degrees.

Affected by the COVID-19 outbreak and global economic volatility, many economic indicators of China in the first half of 2020 have been affected to varying degrees. However, the resilience of development of the Chinese economy and the entire logistics industry has also been demonstrated during this epidemic. According to the National Bureau of Statistics (“**NBS**”) of the People’s Republic of China (the “**PRC**”), the gross domestic product (“**GDP**”) in the first half of 2020 reached RMB45,661.4 billion, representing a slight year-on-year decrease of 0.88%. As of June 2020, the total retail sales of consumer goods for the year amounted to RMB17,225.62 billion, representing a year-on-year decrease of 11.4%. From January to June 2020, the total value of the national social logistics was RMB123.4 trillion, representing a year-on-year decrease of 0.5% on the basis of the comparable prices; and the total cost of the social logistics was RMB6.5 trillion, representing a year-on-year decrease of 4%. However, at the same time, since China has achieved positive results in promoting the prevention and control of the epidemic in the second quarter of 2020, it was obvious that the market vitality has gradually increased, and market sales have continued to improve. As compared with the first quarter, the GDP in the second quarter of 2020 increased by 3.2% year-on-year. The decline in the total retail sales of consumer goods in the second

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quarter of 2020 narrowed by 15.1% from the first quarter. The added value of the industrial enterprises above designated size increased by 4.4% as compared to a decrease of 8.4% in the first quarter. According to the China Federation of Logistics & Purchasing, the prosperity index of China's logistics industry in June 2020 was 54.9%, up by 0.1 percentage point from May, and it has rebounded for four consecutive months. It is expected that the domestic economy and the entire logistics industry will continue to reenergize as the domestic and international epidemic condition improves in the future.

In general, the premium logistics facilities leasing market in China was affected to a certain extent at the early stage of COVID-19 outbreak, which was more reflected in the restricted business exchanges and operations due to the blockade measures, rather than the actual shrinking of demand. With the effective control of the domestic epidemic and the restart of economic activities in full swing, the market demand for high-standard logistics facilities is gradually releasing and returns to normal levels. The future demand is expected to continue a growing trend, and the demand for e-commerce, retailers and third-party logistics services will constitute the main driving force in the high-end logistics field and dominate the leasing market, while the overall demand for traditional retail and manufacturing will remain stable. According to the NBS of the PRC, in the first half of 2020, though affected by the epidemic, China's e-commerce development still maintained an overall positive growth. In the first half of 2020, the total online retail sales of goods amounted to RMB5,150.09 billion, representing a year-on-year increase of 7.3%. In particular, the total online retail sales of physical goods amounted to RMB4,348.07 billion, up by 14.3% and accounting for 84.4% of the total retail sales of consumer goods. Driven by both the promotion of consumption and the "618" shopping festival, the business volume of the national express service industry in June 2020 was RMB7.47 billion, representing a year-on-year increase of 36.8%, and business revenue increased by 23.9% year-on-year. With the further release of consumption potential in central and western regions and the vast rural areas in China, as well as the further popularization of the Internet and mobile Internet, e-commerce will continue to achieve rapid development in the future, and the COVID-19 outbreak will further change the consumption habits of the people. The leasing demand for high-standard warehouses, as driven by the development of e-commerce sector, will remain one of the major driving forces for the development of the logistics facilities sector in the future. With the official issuance of 5G commercial-use licenses by the Ministry of Industry and Information Technology in 2019, China officially entered into the opening year of 5G commercial-use. The 5G network will further empower the use of emerging technologies such as artificial intelligence ("AI"), big data, cloud computing and the Internet-of-Things in various industries to further improve logistics efficiency and accelerate the transformation towards intelligent traditional logistics real estate.

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



### OUTLOOK

#### Business Outlook

The global COVID-19 outbreak since the beginning of the year has not been effectively controlled, but continues to spread. The global economy is still facing uncertainty. If there will be good news about vaccines and treatments as well as greater policy support, economic activity may recover more quickly.

With respect to the domestic economic situation in China, as regular prevention and control of the COVID-19 outbreak has been brought to the daily routine, the economic activities will still be impacted to a certain extent. However, the overall economic activities have been fully restarted, and the government has continued to introduce various economic recovery policies, which resulted in a significant rebound or narrower decline in a number of economic indicators since March 2020. Such operating situation indicates that the overall impact of the epidemic is controllable. In addition, the Chinese economy has demonstrated strong capabilities of self-adjustment, laying a good foundation for stability and growth of the economy for the second half of the year.

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

- *Strengthen nationwide network across major logistics hubs* — The Group has continued 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 30 June 2020, the Group has approximately 0.6 million square meters (“sq.m.”) of GFA of land held for future development and approximately 4.4 million sq.m. of GFA of investment projects. Going forward, the Group plans to continue its focus in regions that are more economically developed, such as the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta economic zone, the Bohai economic zone and the Pearl River Delta economic zone, as well as other selected provincial and logistics node cities, to continuously strengthen its nationwide network. For example, in the Greater Bay Area, in addition to our existing Zhaoqing and Huizhou projects, which have been in operation, we will 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 2020, the occupancy rate for our stabilized logistics parks reached 89.7%, maintaining a relatively higher occupancy rate against the impact of the COVID-19 outbreak during the first half of the year, 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

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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 e-commerce 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 the second half of 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 the second half of 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強大國內市場的意見》) 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.

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On 30 April 2020, the China Securities Regulatory Commission and the National Development and Reform Commission jointly issued the “Notice on the Promotion of the Pilot Program for Real Estate Investment Trusts (REITs) in the Infrastructure Sector” (《關於推進基礎設施領域不動產投資信託基金(REITs)試點相關工作的通知》). This notice marks the official commencement of the pilot program of REITs in China’s infrastructure sector. It is foreseeable that this innovative measure will be able to strengthen the deep connection between the capital market and the real economy in the Chinese market, innovate the existing investment and financing mechanisms, effectively revitalize the stock assets, and push the high-quality development of the infrastructure. The logistics real estate infrastructure involved in this REITs pilot will certainly be benefited by this policy. Logistics real estate facility development enterprises will have access to diversified and high-quality financing channels, reduce capital occupation of their own operations, and reduce asset turnover, which is conducive for achieving their efficient, stable and continuous expansion.

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.

# Management Discussion and Analysis

## FINANCIAL OVERVIEW

The following table is a summary of the Group's unaudited condensed consolidated statement of comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the periods indicated, together with the change (expressed in percentages) from the six months ended 30 June 2019 to the Reporting Period:

	Six months ended 30 June				Year-on-Year
	2020		2019		Change
	RMB	%	RMB	%	%
	Unaudited		Unaudited		
	(In thousands, except for percentages and per share data)				
<b>Condensed Consolidated Statement of Comprehensive Income</b>					
<b>Revenue</b>	<b>388,031</b>	<b>100</b>	351,122	100	10.5
Cost of sales	(88,650)	(22.8)	(76,591)	(21.8)	15.7
<b>Gross profit</b>	<b>299,381</b>	<b>77.2</b>	274,531	78.2	9.1
Selling and marketing expenses	(14,518)	(3.7)	(14,154)	(4.0)	2.6
Administrative expenses	(39,501)	(10.2)	(48,548)	(13.8)	(18.6)
Net impairment losses on financial assets	(972)	(0.3)	(219)	(0.1)	343.8
Other income	4,449	1.1	14,737	4.2	(69.8)
Fair value gains on investment properties — net	269,067	69.3	275,015	78.3	(2.2)
Fair value losses on convertible bonds — net	(185,458)	(47.8)	—	—	—
Other gains — net	72,707	18.7	3,584	1.0	1,928.7
<b>Operating profit</b>	<b>405,155</b>	<b>104.4</b>	504,946	143.8	(19.8)
Finance income	12,029	3.1	10,739	3.1	12.0
Finance costs	(279,731)	(72.1)	(262,046)	(74.6)	6.7
<b>Finance expenses — net</b>	<b>(267,702)</b>	<b>(69.0)</b>	(251,307)	(71.6)	6.5
Share of profit of investments accounted for using the equity method	3,870	1.0	85,265	24.3	(95.5)
<b>Profit before income tax</b>	<b>141,323</b>	<b>36.4</b>	338,904	96.5	(58.3)
Income tax expense	(139,422)	(35.9)	(124,995)	(35.6)	11.5
<b>Profit for the period</b>	<b>1,901</b>	<b>0.5</b>	213,909	60.9	(99.1)
<b>Profit/(Loss) for the period attributable to:</b>					
Owners of the Company	(25,575)	(6.6)	191,827	54.6	(113.3)
Non-controlling interests	27,476	7.1	22,082	6.3	24.4
	<b>1,901</b>	<b>0.5</b>	213,909	60.9	(99.1)

## Management Discussion and Analysis

	Six months ended 30 June				Year-on-Year
	2020		2019		Change
	RMB	%	RMB	%	%
	Unaudited		Unaudited		
	(In thousands, except for percentages and per share data)				
Other comprehensive income for the period, net of tax	—	—	—	—	—
<b>Total comprehensive income for the period</b>	<b>1,901</b>	<b>0.5</b>	213,909	60.9	(99.1)
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
Owners of the Company	(25,575)	(6.6)	191,827	54.6	(113.3)
Non-controlling interests	27,476	7.1	22,082	6.3	24.4
	<b>1,901</b>	<b>0.5</b>	213,909	60.9	(99.1)
<b>(Loss)/Earnings per share (expressed in RMB)</b>					
Basic	(0.0079)		0.0593		
Diluted	(0.0079)		0.0591		

### Revenue

The Group's revenue increased by 10.5% from RMB351.1 million for the six months ended 30 June 2019 to RMB388.0 million for the same period of 2020, primarily attributable to (i) an increase in the number of the Group's logistics parks in operation and therefore the total GFA in operation, which is part of the Group's nationwide expansion plan; and (ii) an increase in the average unit rental.

### Cost of Sales

The Group's cost of sales increased by 15.7% from RMB76.6 million for the six months ended 30 June 2019 to RMB88.7 million for the same period of 2020, 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 increased from 21.8% in the first half of 2019 to 22.8% for the same period of 2020. The increase was primarily attributable to an increase in property tax as a result of the establishment of new operating project companies and the relatively lower profitability of those new operating logistics parks in short term.

### Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 9.1% from RMB274.5 million for the six months ended 30 June 2019 to RMB299.4 million for the same period of 2020. The Group's gross profit margin decreased from 78.2% for the six months ended 30 June 2019 to 77.2% for the same period of 2020.

### **Selling and Marketing Expenses**

The Group's selling and marketing expenses increased by 2.6% from RMB14.2 million for the six months ended 30 June 2019 to RMB14.5 million for the same period of 2020, primarily due to the expansion of the Group's in-house sales and marketing team to promote the Group's logistics parks. As a percentage of the Group's revenue, selling and marketing expenses decreased from 4.0% in the first half of 2019 to 3.7% for the same period of 2020.

### **Administrative Expenses**

The Group's administrative expenses decreased by 18.6% from RMB48.5 million for the six months ended 30 June 2019 to RMB39.5 million for the same period of 2020, primarily attributable to the decrease in legal consultation fees, travelling expenses and business entertainment expenses. As a percentage of the Group's revenue, administrative expenses decreased from 13.8% in the first half of 2019 to 10.2% in the first half of 2020. The decrease was primarily due to an increase in economies of scale from the Group's growing operation scale.

### **Net Impairment Losses on Financial Assets**

The Group recorded net impairment losses on financial assets of RMB1.0 million for the Reporting Period. The Group recognized net impairment loss of RMB0.2 million on financial assets for the same period in 2019.

### **Other Income**

The Group's other income decreased by 69.8% from RMB14.7 million for the six months ended 30 June 2019 to RMB4.4 million for the same period of 2020, primarily attributable to asset related government grants received in the corresponding period of last year which was not received in the current period.

### **Fair Value Gains on Investment Properties – Net**

The Group's net fair value gains on investment properties decreased by 2.2% from RMB275.0 million for the six months ended 30 June 2019 to RMB269.1 million for the same period of 2020. The main reasons are (i) as a result of the Group's asset-light strategy, the disposal of 90% equity interest of two subsidiaries which values were not included in the fair value gains on investment properties of the Group for the Reporting Period; and (ii) the slowdown of project development progress, resulting in the overall decrease in the fair value gains on the projects under development during the Reporting Period.

### **Fair Value Losses on Convertible Bonds – Net**

The Group recorded fair value losses on convertible bonds of RMB185.5 million for the Reporting Period. The Group recognized no fair value losses on convertible bonds for the same period in 2019. The change was primarily attributable to the Group's share price continued to rise as of June 30, 2020, which increased the value of the convertible bonds. The fair value losses on convertible bonds is a non-cash charge, it does not affect the Group's liquidity.

### **Other Gains – Net**

The Group recorded net other gains of RMB72.7 million for the Reporting Period as compared to the net other gains of RMB3.6 million recorded for the same period of 2019. The increase in net other gains was primarily attributable to the investment gains on disposal of 90% equity interest in two subsidiaries in the current period.

# Management Discussion and Analysis

## Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 19.8% from RMB504.9 million for the six months ended 30 June 2019 to RMB405.2 million for the same period of 2020. Excluding the impact of fair value losses on convertible bonds, the operating profit for the Reporting Period was RMB590.6 million which increased by 17.0% when compared to the operating profit for the same period of 2019. As a percentage of the Group's revenue, the Group's operating profit decreased from 143.8% for the six months ended 30 June 2019 to 104.4% for the same period of 2020.

## Finance Income

The Group's finance income increased by 12.0% from RMB10.7 million for the six months ended 30 June 2019 to RMB12.0 million for the same period of 2020, primarily as a result of an increase in interest income on bank deposits.

## Finance Costs

The Group's finance costs increased by 6.7% from RMB262.0 million for the six months ended 30 June 2019 to RMB279.7 million for the same period of 2020, primarily due to (i) an increase in interest expense on borrowings because of the rapid business development of the Group; and (ii) more exchange loss resulting from greater exchange fluctuation with significant increase in U.S. dollar exchange rate compared with that of the same period of last year.

## Income Tax Expense

The Group's income tax expense increased by 11.5% from RMB125.0 million for the six months ended 30 June 2019 to RMB139.4 million for the same period of 2020. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, increased from 36.9% in the first half of 2019 to 98.7% for the same period in 2020, primarily due to (i) the increased finance costs of debt financing recognized by overseas companies, while such losses were not deductible for tax purposes; (ii) the increase in overseas capital gains tax paid as a result of the disposal of equity interests in subsidiaries in the current period as compared with the capital gains tax in the corresponding period of last year; and (iii) the fair value losses on convertible bonds incurred for the Reporting Period while no such losses for the same period of 2019.

## Profit for the Period

As a result of the foregoing, the Group's profit for the period decreased by 99.1% from RMB213.9 million for the six months ended 30 June 2019 to RMB1.9 million for the same period of 2020.

## Non-IFRSs Measure

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



### Core Net Profit

The Group defines its core net profit as its adjusted EBITDA, which consists of profit for the period, adding back fair value losses on convertible bonds — net, net interest expenses, transaction cost of convertible bonds, net exchange losses, income tax expense, amortization expense, depreciation charge and other one-off transaction expenses, further adjusted to deduct other income, fair value gains on investment properties — net and other gains — 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 RMB236.2 million for the six months ended 30 June 2019 to RMB270.1 million for the same period in 2020. The increase was primarily due to strong revenue growth as a result of the Group's nationwide expansion as well as economies of scale it achieved through the expansion process. As a percentage of the Group's revenue, the Group's core net profit for the first half of 2020 was 69.6%.

### (Loss)/Earnings per Share

The Group's basic earnings per share and diluted earnings per share were RMB0.0593 and RMB0.0591 for the six months ended 30 June 2019, while the basic loss per share and diluted loss per share were RMB0.0079 and RMB0.0079 for the Reporting Period, respectively, primarily as a result of the change from the profit for the period attributable to owners of the Company of RMB191.8 million for the six months ended 30 June 2019 to RMB25.6 million of loss for the Reporting Period.

### Liquidity and Capital Resources

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

### Cash and Cash Equivalents

As of 30 June 2020, the Group had cash and cash equivalents of RMB1,230.0 million (31 December 2019: RMB1,166.3 million), which primarily consisted of cash at bank and on hand that were denominated in Renminbi, U.S. dollars and Hong Kong dollars.

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

## Management Discussion and Analysis

### Indebtedness

#### (a) Borrowings

As of 30 June 2020, the Group's total outstanding borrowings amounted to RMB7,622.6 million. The Group's borrowings were denominated in Renminbi (as to 64.4%) and U.S. dollars (as to 35.6%). The following table sets forth a breakdown of the Group's current and non-current borrowings as of the dates indicated:

	As of 30 June 2020 Unaudited (in RMB thousands)	As of 31 December 2019 Audited
<b>Non-current</b>		
Long-term bank borrowings		
– secured by assets	3,697,901	4,075,632
– secured by equity interest of certain subsidiary	29,500	50,000
– secured by assets and equity interest of certain subsidiaries	423,567	–
Long-term borrowings from other financial institutions		
– secured by assets and equity interests of certain subsidiaries	244,341	–
Senior notes		
– secured by guarantees and pledges provided by certain subsidiaries	2,710,520	2,790,063
Asset-backed medium-term notes (“ABN”)		
– secured by assets	446,803	448,272
	<b>7,552,632</b>	<b>7,363,967</b>
Less: Long-term bank borrowings due within one year	(354,488)	(446,404)
Long-term borrowings from other financial institutions due within one year	(51,515)	–
Senior notes due within one year	(1,572,594)	(1,673,447)
ABN due within one year	(554)	(554)
	<b>5,573,481</b>	<b>5,243,562</b>

## Management Discussion and Analysis

	As of 30 June 2020 Unaudited (in RMB thousands)	As of 31 December 2019 Audited
<b>Current</b>		
Short-term bank borrowings		
– secured by equity interest of certain subsidiary	20,000	–
– unsecured	50,000	20,000
Current portion of senior notes		
– secured by guarantees and pledges provided by certain subsidiaries	1,572,594	1,673,447
Current portion of ABN		
– secured by assets	554	554
Current portion of long-term bank borrowings		
– secured by assets	351,338	446,404
– secured by assets and equity interest of certain subsidiaries	2,150	–
– secured by equity interest of certain subsidiary	1,000	–
Current portion of long-term borrowings from other financial institutions		
– secured by assets and equity interests of certain subsidiaries	51,515	–
	2,049,151	2,140,405
<b>Total borrowings</b>	<b>7,622,632</b>	<b>7,383,967</b>

## Management Discussion and Analysis

As of 30 June 2020, the Group's borrowings of RMB4,897.0 million (31 December 2019: RMB4,741.9 million) bore fixed interest rates and the remaining borrowings of RMB2,725.6 million bore floating interest rates. The weighted average effective interest rates of the Group's borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that were outstanding during the period, for the year ended 31 December 2019 and the Reporting Period were as follows:

	As of 30 June 2020 Unaudited	As of 31 December 2019 Audited
RMB	<b>6.3%</b>	6.0%
US\$	<b>11.0%</b>	10.1%

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

	As of 30 June 2020 Unaudited (in RMB thousands)	As of 31 December 2019 Audited
Within one year	<b>2,049,151</b>	2,140,405
Between one and two years	<b>1,847,852</b>	1,820,148
Between two and five years	<b>1,681,333</b>	1,684,444
Over five years	<b>2,044,296</b>	1,738,970
<b>Total Borrowings</b>	<b>7,622,632</b>	7,383,967

The Group has the following undrawn borrowing facilities:

	As of 30 June 2020 Unaudited (in RMB thousands)	As of 31 December 2019 Audited
Floating rate:		
— expiring beyond one year	<b>648,820</b>	376,500
Fixed rate:		
— expiring beyond one year	<b>9,500</b>	—
	<b>658,320</b>	376,500

## GEARING RATIO

The Group's gearing ratio is calculated by dividing (i) the Group's interest-bearing borrowings, the convertible bonds, 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 of 31 December 2019 and 30 June 2020, the Group's gearing ratio was 38.0% and 39.1%, respectively.

## CAPITAL EXPENDITURES

The Group made capital expenditures of RMB893.8 million for Reporting Period, which represent the spending on the development of its logistics park projects, the acquisition of land and the acquisition of property, plant and equipment during the Reporting Period. For the six months ended 30 June 2019, the Group made capital expenditures of RMB727.7 million. The Group's capital expenditures in the first half of 2020 were funded primarily by cash generated from its operating activities, bank borrowings and senior notes.

## CONTINGENT LIABILITIES AND GUARANTEES

As of 30 June 2020, there were no significant unrecorded contingent liabilities, guarantees or litigation against the Group.

# Management Discussion and Analysis

## CHARGE ON THE GROUP'S ASSETS

For the details of charges on the Group's assets as at 30 June 2020, please refer to Note 16 set out in "Notes to the Condensed Consolidated Interim Financial Information" in this report.

## FUNDING AND TREASURY POLICY

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

## MATERIAL ACQUISITIONS AND FUTURE PLANS FOR MAJOR INVESTMENT

During the Reporting Period, save for the agreements on the second phase of the fund with LaSalle entered in March 2020, details of which are set out in "Business Overview and Outlook — Business Overview" above, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Company's prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

## EVENTS AFTER THE REPORTING PERIOD

On 14 August 2020, the shareholders of the Company approved the subscription agreement entered into among the Company, certain of its subsidiaries (as guarantors) and BCC on 29 June 2020 in relation to the issue of the 2020 Convertible Bonds. Pursuant to the subscription agreement, subject to fulfilment of certain conditions, the Company agreed to issue, and BCC agreed to subscribe the 2020 Convertible Bonds. The net proceeds of the issue of the 2020 Convertible Bonds will be used for the repayment in full of the senior secured notes due 30 November 2020 issued by the Company, with the remainder to be applied towards the Company's general corporate purposes, such as development of new projects.

On 7 August 2020, the Company's subsidiary — Shanghai Yupei (Group) Company Limited issued commercial mortgage backed securities (the "CMBS") in the principal amount of RMB530,000,000. The borrowers of the CMBS are two project subsidiaries of the Group. The CMBS bear interest at a rate of 4.15% per annum and will mature on 4 May 2038 unless earlier redeemed in accordance with the terms thereof.

### HUMAN RESOURCES

As of 30 June 2020, the Group had a total of 195 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 employees' salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group's employee benefit expenses include salaries, benefits and other compensations paid to all of its employees.

For the Reporting Period, the total employee benefit expenses of the Group (including salaries, wages, bonuses, employees share option expenses, pension, housing, medical insurance and other social insurance) amounted to RMB23.3 million, representing approximately 6.0% of the total revenue of the Group.

Pursuant to the pre-IPO share option scheme, options to subscribe for an aggregate amount of 15,824,000 shares (representing approximately 0.49% of the total issued share capital of the Company as of the date of this report) have been granted by the Company and 6,470,200 shares (representing approximately 0.20% of the total issued share capital of the Company as of the date of this report) remained outstanding as of 30 June 2020.

### DIVIDENDS

The Company did not declare or distribute any dividend to the Company's shareholders for the six months ended 30 June 2019 and for the same period of 2020.

### OBSERVANCE OF UNDERTAKING RELATING TO LEASE REGISTRATION

Historically, certain leases of the Group for its logistics facilities, offices and registered addresses had not been registered and filed with relevant land and real estate administration bureaus in the PRC and prior to the listing of the Company, the Group had enhanced its internal control measures by, among others, (i) establishing a team to communicate and coordinate with tenants and lessors to obtain lease registration, (ii) reporting the status of lease registration to the Group's compliance committee on a quarterly basis, (iii) revising lease templates to include cooperation of tenants for lease registration as a contractual obligation to the Group's tenants, and (iv) ensuring that existing tenants sign future leases with such cooperation term upon renewal. As a result of the Group's dedication in the rectification of non-registration of leases, as of 30 June 2020, 15 leases out of the 349 leases for the Group's logistics facilities (covering GFA of approximately 3,422,365 sq.m.) had been registered. The Group is in the process of registering the remaining 334 leases and will take all practicable steps to ensure that such leases are registered.

# Other Information

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

As of 30 June 2020, the interests of the directors (the “**Director(s)**”) or the chief executive of the Company in the Shares or underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) were as follows:

### (a) Interests in the ordinary Shares/underlying Shares of the Company

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares interested <sup>(1)</sup>	Approximate percentage of shareholding <sup>(2)</sup>
Li Shifa	Interest of controlled corporation <sup>(3)</sup>	916,488,000	28.33%
Wu Guolin <sup>(4)</sup>	Beneficial owner	1,872,000	0.06%
Li Huifang <sup>(5)</sup>	Beneficial owner	504,000	0.02%
Shi Lianghua <sup>(6)</sup>	Beneficial owner	1,648,000	0.05%
Xie Xiangdong <sup>(7)</sup>	Beneficial owner	544,000	0.02%
Li Qing <sup>(8)</sup>	Beneficial owner	1,872,000	0.06%

Notes:

- (1) All interests stated are long positions.
- (2) As of 30 June 2020, the Company had 3,235,264,999 issued ordinary Shares.
- (3) Mr. Li Shifa holds the entire issued share capital of Lee International Investment Management Co., Ltd, which in turn holds 90% interest in Yupei International Investment Management Co., Ltd. Accordingly, Mr. Li Shifa is deemed to be interested in the 916,488,000 Shares held by Yupei International Investment Management Co., Ltd.
- (4) Mr. Wu Guolin is interested in 1,872,000 options granted to him under the pre-IPO share option scheme of the Company, representing 1,872,000 underlying Shares.
- (5) Ms. Li Huifang is interested in 504,000 options granted to her under the pre-IPO share option scheme of the Company, representing 504,000 underlying Shares.
- (6) Ms. Shi Lianghua is interested in 1,648,000 options granted to her under the pre-IPO share option scheme of the Company, representing 1,648,000 underlying Shares.
- (7) Mr. Xie Xiangdong is interested in 544,000 options granted to him under the pre-IPO share option scheme of the Company, representing 544,000 underlying Shares.
- (8) Ms. Li Qing is interested in 1,872,000 options granted to her under the pre-IPO share option scheme of the Company, representing 1,872,000 underlying Shares.



**(b) Interests in ordinary shares of associated corporations**

Name of Director	Name of associated corporation	Capacity/ nature of interest	Number of shares interested <sup>(1)</sup>	Approximate percentage of shareholding
Li Shifa	Lee International Investment Management Co., Ltd <sup>(2)</sup>	Beneficial owner	50,000	100%
	Yupei International Investment Management Co., Ltd <sup>(2)</sup>	Interest of controlled corporation and Interest of spouse	50,000	100%

## Notes:

(1) All interests stated are long positions.

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

Save as disclosed above, as of 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 30 June 2020, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, or as the Directors are aware:

Name of shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of shareholding <sup>(3)</sup>
Lee International Investment Management Co., Ltd	Interest of controlled corporation <sup>(4)</sup>	916,488,000 <sup>(1)</sup>	28.33%
Yupei International Investment Management Co., Ltd <sup>(4)</sup>	Beneficial owner	916,488,000 <sup>(1)</sup>	28.33%
Ma Xiaocui	Interest of spouse <sup>(5)</sup>	916,488,000 <sup>(1)</sup>	28.33%
RRJ Capital Master Fund II, L.P.	Interest of controlled corporation <sup>(6)</sup>	937,772,498 <sup>(1)</sup>	28.99%
		208,749,000 <sup>(2)</sup>	6.45%
Warburg Pincus & Co.	Interest of controlled corporation <sup>(7)</sup>	443,148,000 <sup>(1)</sup>	13.70%
WP X Investment VI Ltd.	Interest of controlled corporation <sup>(7)</sup>	443,148,000 <sup>(1)</sup>	13.70%
ESR Cayman Limited <sup>(7)</sup>	Beneficial owner; Interest of controlled corporation <sup>(7)</sup>	443,148,000 <sup>(1)</sup>	13.70%
ESR HK Management Limited <sup>(7)</sup>	Beneficial owner	390,151,000 <sup>(1)</sup>	12.06%
劉強東	Beneficiary of a trust (other than a discretionary interest) <sup>(8)</sup>	321,068,999 <sup>(1)</sup>	9.92%
Max Smart Limited	Interest of controlled corporation <sup>(8)</sup>	321,068,999 <sup>(1)</sup>	9.92%
JD.com, Inc.	Interest of controlled corporation <sup>(8)</sup>	321,068,999 <sup>(1)</sup>	9.92%
Jingdong Logistics Group Corporation <sup>(8)</sup>	Beneficial owner	321,068,999 <sup>(1)</sup>	9.92%
Sino-Ocean Group Holding Limited	Interest of controlled corporation <sup>(9)</sup>	287,741,000 <sup>(1)</sup>	8.89%

Notes:

- (1) Interests in long positions.
- (2) Interests in short position.
- (3) As at 30 June 2020, the Company had 3,235,264,999 issued ordinary Shares.
- (4) Mr. Li Shifa holds the entire issued share capital of Lee International Investment Management Co., Ltd, which in turn holds 90% interest in Yupei International Investment Management Co., Ltd. Such interests are also disclosed as the interests of Mr. Li in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- (5) Ms. Ma Xiaocui is the wife of Mr. Li Shifa and is deemed to be interested in the Shares which are interested by Mr. Li under the SFO.
- (6) RRJ Capital Master Fund II, L.P. holds the entire issued share capital of Berkeley Asset Holding Ltd, which holds 740,173,000 Shares and 184,639,498 Shares underlying the Company's convertible bonds listed on the Stock Exchange in long position and 208,749,000 Shares underlying the Company's unlisted physically settled derivatives in short position. RRJ Capital Master Fund II, L.P. also holds the entire issued share capital of Travis Asset Holding Ltd, which in turn holds the entire issued share capital of Sherlock Asset Holding Ltd, which holds 12,960,000 Shares in long position. Accordingly, RRJ Capital Master Fund II, L.P. is deemed to be interested in the 740,173,000 Shares and 184,639,498 underlying Shares in long position and 208,749,000 underlying Shares in short position held by Berkeley Asset Holding Ltd, and each of RRJ Capital Master Fund II, L.P. and Travis Asset Holding Ltd is deemed to be interested in the 12,960,000 Shares in long position held by Sherlock Asset Holding Ltd.
- (7) ESR Cayman Limited holds the entire issued share capital of ESR HK Management Limited, which holds 390,151,000 Shares. ESR Cayman Limited holds 52,997,000 Shares. As a result, ESR Cayman Limited is a beneficial owner as to 52,997,000 Shares and is deemed to be interested in 390,151,000 Shares held by ESR HK Management Limited. ESR Cayman Limited is indirectly owned as to 38.35% by WP X Investment VI Ltd, which is in turn indirectly owned as to 96.90% by Warburg Pincus & Co. Accordingly, each of Warburg Pincus & Co. and WP X Investment VI Ltd is deemed to be interested in 443,148,000 Shares.
- (8) 劉強東 (Mr. Richard Qiangdong Liu) controls 100% of issued share capital of Max Smart Limited, which in turn controls 72.63% of issued share capital of JD.com, Inc.. JD.com, Inc. holds the entire issued share capital of Jingdong Logistics Group Corporation. Accordingly, each of 劉強東, Max Smart Limited and JD.com, Inc. is deemed to be interested in the 321,068,999 Shares held by Jingdong Logistics Group Corporation.
- (9) Sino-Ocean Group Holding Limited is deemed to be interested in the 287,741,000 Shares through a series of controlled corporations, including, among others, Shine Wind Development Limited, Faith Ocean International Limited, Sino-Ocean Land (Hong Kong) Limited and Joy Orient Investments Limited.

Save as disclosed above, as of 30 June 2020, the Directors or chief executive are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

### PRE-IPO SHARE OPTION SCHEME

On 10 March 2016, a pre-IPO share option scheme of the Company (the “**Pre-IPO Share Option Scheme**”) was approved and conditionally adopted by the board of Directors of the Company (the “**Board**”). The purpose of the Pre-IPO Share Option Scheme is a share incentive scheme and is established, amongst other things, to recognize and acknowledge the contributions that certain of the Group’s employees have made to the Company’s listing and development, and to motivate, retain and attract outstanding personnel who will help promote the Company’s growth. Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company.

As at the date of this report, options to subscribe for an aggregate of 15,824,000 Shares (representing approximately 0.49% of the total issued share capital of the Company) have been granted by the Company under the Pre-IPO Share Option Scheme. No further options have been granted under the Pre-IPO Share Option Scheme after the listing of the Company on 15 July 2016 (the “**Listing Date**”).

The holders of the options granted under the Pre-IPO Share Option Scheme are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

Subject to the satisfactory performance of certain obligations of the grantees, the options granted to each of the grantees (the “**Pre-IPO Options**”) shall be vested in accordance with the vesting schedule as follows:

1. as to 30% of the aggregate number of Shares underlying the Pre-IPO Options on the first anniversary date of the Listing Date;
2. as to 30% of the aggregate number of Shares underlying the Pre-IPO Options on the second anniversary date of the Listing Date; and
3. as to the remaining 40% of the aggregate number of Shares underlying the Pre-IPO Options on the third anniversary date of the Listing Date.

Each option granted under the Pre-IPO Share Option Scheme is valid for five years from the grant date. During the Reporting Period, Pre-IPO Options representing 1,072,000 Shares have been exercised by the holders, and no Pre-IPO Options have been lapsed or cancelled. The weighted average closing price of the Shares immediately before the dates on which the Pre-IPO Options were exercised is HK\$3.18.

Details of the outstanding options granted under the Pre-IPO Share Option Scheme during the Reporting Period 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 <sup>(Note)</sup>	Number of Shares represented by the outstanding share options as at 1 January 2020	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of Shares represented by the outstanding share options as at 30 June 2020
<b>Directors</b>								
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	11,200	—	—	—	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
				504,000	—	—	—	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
	21 March 2016	1.625	From 15 July 2018 to 21 March 2021	163,200	—	—	—	163,200
	21 March 2016	1.625	From 15 July 2019 to 21 March 2021	217,600	—	—	—	217,600
				544,000	—	—	—	544,000

## Other Information

Name or category of grantee	Date of grant of share options	Exercise price of share options (HK\$ per share)	Exercise period of share options <sup>(Note)</sup>	Number of Shares represented by the outstanding share options				Number of Shares represented by the outstanding share options as at 30 June 2020
				as at 1 January 2020	Exercised during the period	Cancelled during the period	Lapsed during the period	
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
				6,440,000	—	—	—	6,440,000
<b>Members of senior management &amp; other employees of the Group</b>								
In aggregate	21 March 2016	1.625	From 15 July 2017 to 21 March 2021	163,200	(163,200)	—	—	—
	21 March 2016	1.625	From 15 July 2018 to 21 March 2021	163,200	(163,200)	—	—	—
	21 March 2016	1.625	From 15 July 2019 to 21 March 2021	556,800	(526,600)	—	—	30,200
	28 March 2016	1.625	From 15 July 2018 to 28 March 2021	52,600	(52,600)	—	—	—
	28 March 2016	1.625	From 15 July 2019 to 28 March 2021	166,400	(166,400)	—	—	—
				1,102,200	(1,072,000)	—	—	30,200
<b>Total</b>				7,542,200	(1,072,000)	—	—	6,470,200

*Note:*

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

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the Reporting Period. During the first half of 2020, the trustee of the Company's share award scheme purchased an aggregate of 33,503,000 Shares at a total cash consideration of approximately HK\$96.2 million on-market to hold in trust for the benefit of the participants of the 2020 share award scheme of the Company (the "Share Awards Participants") pursuant to the rules of the share award scheme and the trust deed entered into between the Company and the trustee. Such shares will be used as awards for relevant Share Awards Participants upon the grant and vesting of restricted share units. As of 30 June 2020, no share has been granted by the Company under the 2020 share award scheme.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the Reporting Period.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

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

## AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim financial results of the Group for the Reporting Period.

## CHANGE IN DIRECTORS’ BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no change in the Directors’ biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2019 annual report of the Company.

# Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD  
(incorporated in the Cayman Islands with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 31 to 78, which comprises the interim condensed consolidated balance sheet of China Logistics Property Holdings Co., Ltd (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 August 2020

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# Condensed Consolidated Balance Sheet

As at 30 June 2020

(All amounts in RMB unless otherwise stated)

		30 June 2020	31 December 2019
		Unaudited	Audited
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	124,151	129,266
Investment properties	7	19,287,000	19,399,000
Intangible assets	7	878	861
Right-of-use assets	7	220,235	239,051
Investments accounted for using the equity method	8	858,029	787,374
Financial assets at fair value through profit or loss ("FVPL")	11	—	111,973
Long-term trade receivables		12,133	17,166
Other long-term prepayments	9	508,138	451,331
Restricted cash	12	357,128	318,056
		<b>21,367,692</b>	<b>21,454,078</b>
<b>Current assets</b>			
Trade and other receivables	10(a)	462,038	91,311
Prepayments	10(b)	62,361	91,022
Financial assets at FVPL	11	—	146,975
Cash and cash equivalents	12	1,230,043	1,166,331
Restricted cash	12	12,920	12,043
		<b>1,767,362</b>	<b>1,507,682</b>
<b>Total assets</b>		<b>23,135,054</b>	<b>22,961,760</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and share premium	13(b)	6,445,890	6,442,389
Other reserves	14	187,569	189,481
Treasury shares	13(b)	(88,530)	—
Retained earnings		4,256,982	4,282,557
		<b>10,801,911</b>	<b>10,914,427</b>

## Condensed Consolidated Balance Sheet As at 30 June 2020

(All amounts in RMB unless otherwise stated)

		30 June 2020	31 December 2019
		Unaudited	Audited
	Note	RMB'000	RMB'000
<b>Non-controlling interests</b>		<b>852,228</b>	824,752
<b>Total equity</b>		<b>11,654,139</b>	11,739,179
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	5,573,481	5,243,562
Long-term payables		90,479	77,656
Deferred income tax liabilities	18	1,947,809	1,998,186
Lease liabilities	27(f)	277,654	294,259
Convertible bonds	17	1,146,267	996,259
		<b>9,035,690</b>	8,609,922
<b>Current liabilities</b>			
Trade and other payables	19	318,503	428,867
Current income tax liabilities		45,590	28,572
Borrowings	16	2,049,151	2,140,405
Lease liabilities	27(f)	31,981	14,815
		<b>2,445,225</b>	2,612,659
<b>Total liabilities</b>		<b>11,480,915</b>	11,222,581
<b>Total equity and liabilities</b>		<b>23,135,054</b>	22,961,760

The notes on pages 38 to 78 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Comprehensive Income

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2020	2019
		Unaudited RMB'000	Unaudited RMB'000
Revenue	6	388,031	351,122
Cost of sales	20	(88,650)	(76,591)
<b>Gross profit</b>		<b>299,381</b>	<b>274,531</b>
Selling and marketing expenses	20	(14,518)	(14,154)
Administrative expenses	20	(39,501)	(48,548)
Net impairment losses on financial assets		(972)	(219)
Other income		4,449	14,737
Fair value gains on investment properties — net	7	269,067	275,015
Fair value losses on convertible bonds — net	17	(185,458)	—
Other gains — net	21	72,707	3,584
<b>Operating profit</b>		<b>405,155</b>	<b>504,946</b>
Finance income	22	12,029	10,739
Finance costs	22	(279,731)	(262,046)
<b>Finance expenses — net</b>	22	<b>(267,702)</b>	<b>(251,307)</b>
Share of profit of investments accounted for using the equity method	8	3,870	85,265
<b>Profit before income tax</b>		<b>141,323</b>	<b>338,904</b>
Income tax expense	23	(139,422)	(124,995)
<b>Profit for the period</b>		<b>1,901</b>	<b>213,909</b>
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		(25,575)	191,827
Non-controlling interests		27,476	22,082
		<b>1,901</b>	<b>213,909</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>—</b>	<b>—</b>
<b>Total comprehensive income for the period</b>		<b>1,901</b>	<b>213,909</b>

## Condensed Consolidated Statement of Comprehensive Income For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2020	2019
		Unaudited RMB'000	Unaudited RMB'000
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Owners of the Company		(25,575)	191,827
Non-controlling interests		27,476	22,082
		<b>1,901</b>	<b>213,909</b>
<b>(Loss)/Earnings per share for profit/(loss) attributable to owners of the Company (expressed in RMB)</b>			
— Basic	24	(0.0079)	0.0593
— Diluted	24	(0.0079)	0.0591

The notes on pages 38 to 78 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

	Equity attributable to owners of the Company								
	Note	Share	Treasury	Other	Retained	Non-	Total		
		capital						controlling	equity
		and share							
premium	shares	reserves	earnings	Total	Unaudited	Unaudited			
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 31 December 2019		6,442,389	—	189,481	4,282,557	10,914,427	824,752	11,739,179	
Comprehensive income									
(Loss)/Profit for the period		—	—	—	(25,575)	(25,575)	27,476	1,901	
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>(25,575)</b>	<b>(25,575)</b>	<b>27,476</b>	<b>1,901</b>	
<b>Transactions with equity owners in its capacity as equity owners</b>									
Repurchase of shares	13(b)	—	(88,530)	—	—	(88,530)	—	(88,530)	
Employees share option scheme									
— Exercise of share options	13(b), 14	3,501	—	(1,912)	—	1,589	—	1,589	
<b>Total transactions with equity owners in their capacity as equity owners</b>		<b>3,501</b>	<b>(88,530)</b>	<b>(1,912)</b>	<b>—</b>	<b>(86,941)</b>	<b>—</b>	<b>(86,941)</b>	
<b>Balance at 30 June 2020</b>		<b>6,445,890</b>	<b>(88,530)</b>	<b>187,569</b>	<b>4,256,982</b>	<b>10,801,911</b>	<b>852,228</b>	<b>11,654,139</b>	

# Condensed Consolidated Statement of Changes in Equity

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

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

The notes on pages 38 to 78 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		243,279	169,355
Interest received		11,909	10,533
Income tax paid		(953)	(6,340)
<b>Net cash generated from operating activities</b>		<b>254,235</b>	<b>173,548</b>
<b>Cash flows used in investing activities</b>			
Acquisition of property, plant and equipment		(3,541)	(1,736)
Prepayment for land use rights	9	(37,117)	—
Proceeds from disposal of property, plant and equipment		423	—
Acquisition of financial assets at FVPL	11	—	(90,724)
Disposal of financial assets at FVPL	11	259,191	—
Addition of investment properties		(853,112)	(725,976)
Addition of intangible assets		(259)	(85)
Payment of capital gain tax of disposal of subsidiaries		(34,858)	(5,312)
Proceeds from disposal of subsidiaries	21	330,913	291,339
Receipt of government grants		—	10,000
Receipt/(Payment) of advances to related parties	27(c)	78,543	(13,883)
<b>Net cash used in investing activities</b>		<b>(259,817)</b>	<b>(536,377)</b>
<b>Cash flows from financing activities</b>			
(Increase)/decrease in restricted cash		(39,949)	69,074
Proceeds from exercise of share options		1,589	1,353
Proceeds from borrowings		1,091,180	1,442,045
Repayments of borrowings		(591,145)	(1,976,787)
Payment of interest expenses		(296,692)	(311,981)
Payment of commission fees and other expenses related to issuance of senior notes		(114)	—
Principle element of lease payments		(5,505)	(9,167)
Proceeds from issuance of convertible bonds	17	—	975,034
Payment of interest of convertible bonds	17	(35,450)	—
Repurchase of ordinary shares	13(b)	(88,530)	(25,183)
Advances from a related party	27(c)	31,232	—
<b>Net cash generated from financing activities</b>		<b>66,616</b>	<b>164,388</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period	12	1,166,331	2,000,429
Cash classified as assets held for sale		—	11,900
Exchange gains/(losses) on cash and cash equivalents		2,678	(15,092)
<b>Cash and cash equivalents at end of the period</b>		<b>1,230,043</b>	<b>1,798,796</b>

The notes on pages 38 to 78 form an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 1 General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board of directors (the “Board”) of the Company on 27 August 2020.

This condensed consolidated interim financial information has not been audited.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).



# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 2 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 30 June 2020, the current liabilities exceeded the current assets by RMB677,863,000. In preparing the condensed consolidated interim financial information, 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 30 June 2020 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 30 June 2020 was RMB658,320,000 (Note 16). Subsequent to 30 June 2020, additional bank borrowing facilities amounting to RMB110,700,000 were obtained with borrowing contracts signed. The total available unutilized bank borrowing facilities thus increased to RMB769,020,000, among which around RMB179,773,000 was successfully drawn down subsequent to 30 June 2020.
- 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.

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 condensed consolidated interim financial information. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial information.

### 3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described in the annual consolidated financial statements.

#### (a) Income tax

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

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 3 Significant accounting policies (continued)

### (b) New and amended standards and interpretations adopted by the Group

A number of new or amended standards or interpretations became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting IFRS 16 (Amendments) are disclosed below. Other amended standards or interpretations that are effective for the first time for this interim period did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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 9, IAS 39 and IFRS 7 (Amendments)	Interest rate benchmark reform	1 January 2020
IFRS 16 (Amendments)	Covid-19-related rent concessions	1 June 2020 (i)

- (i) The Group leases an office building from its associate — Shanghai Hongyu Logistics Co., Ltd. (“Shanghai Hongyu”). As a direct consequence of the COVID-19 pandemic, 2 months lease payments in the first quarter of 2020 have been waived by Shanghai Hongyu.

On application of the practical expedient in accordance with the amendments to IFRS 16, amounting to RMB2,785,000 (Note 20) of a reduction in lease payment have been recognized in the condensed consolidated statement of comprehensive income for six months ended 30 June 2020 to reflect the changes in lease payments that arise from the rent concession.

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 3 Significant accounting policies (continued)

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

The following new standards, new amendments and interpretations to existing standards have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

Standards		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2022 (likely to be extended to 1 January 2023)
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous contracts — cost of fulfilling a contract	1 January 2022
IFRS 3 (Amendments)	Reference to the conceptual framework	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	IFRS 9, IFRS 16, IFRS 1, IAS 41	1 January 2022
IFRS 17	Insurance contracts	Originally 1 January 2021, but extended to 1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 4 Estimates

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## 5 Financial risk management and financial instruments

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

There have been no changes in the risk management policies since year 2019.

### 5.2 Liquidity risk

Compared to 2019 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

### 5.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value as at 30 June 2020 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).

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 5 Financial risk management and financial instruments (continued)

#### 5.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2020 and at 31 December 2019:

	Level 1	Level 2	Level 3	Total
	Unaudited	Unaudited	Unaudited	Unaudited
As at 30 June 2020	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Investment properties	—	—	19,287,000	19,287,000
<b>Liabilities</b>				
Convertible bonds	—	—	1,146,267	1,146,267

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

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

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 5 Financial risk management and financial instruments (continued)

### 5.4 Fair value measurements using significant unobservable inputs (Level 3)

#### Investment properties

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

#### Convertible bonds

See Note 17 for disclosures of the convertible bonds that are measured at fair value.

#### Financial assets at FVPL

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

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

The fair values of current, non-current borrowings and lease liabilities equal their carrying amounts, 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 values of the following financial assets and liabilities approximate their carrying amounts:

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

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 6 Segment and revenue information

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

The Group derives its revenue primarily from the rental income generated from lease of logistics facilities and provision of related management services.

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

Revenue from customer A represents 29.49% of the Group's total revenue for the six months ended 30 June 2020 (30 June 2019: customer A represented 29.56%).

The revenue of the Group for the six months ended 30 June 2020 and 2019 are set out as follows:

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Rental income	276,674	268,969
Revenue from providing management services	111,357	82,153
	388,031	351,122

## Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

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

	Property, plant and equipment Unaudited RMB'000	Investment properties Unaudited RMB'000	Intangible assets Unaudited RMB'000	Right-of- use assets Unaudited RMB'000
<b>Six months ended 30 June 2020</b>				
<b>Net book value or valuation</b>				
<b>Opening amount as at 1 January 2020</b>	<b>129,266</b>	<b>19,399,000</b>	<b>861</b>	<b>239,051</b>
Additions	3,541	758,933	238	—
Disposal of subsidiaries	(96)	(1,140,000)	—	—
Other disposals	(69)	—	—	—
Fair value gains on investment properties	—	269,067	—	—
Depreciation and amortization (Note 20)	(8,491)	—	(221)	(18,816)
<b>Closing amount as at 30 June 2020</b>	<b>124,151</b>	<b>19,287,000</b>	<b>878</b>	<b>220,235</b>
<b>Six months ended 30 June 2019</b>				
<b>Net book value or valuation</b>				
<b>Opening amount as at 1 January 2019</b>	<b>128,232</b>	<b>17,039,000</b>	<b>653</b>	<b>307,681</b>
Additions	136	615,459	73	—
Disposal of subsidiaries	—	(343,474)	—	—
Other disposals	(9)	—	—	—
Fair value gains on investment properties	—	275,015	—	—
Depreciation and amortization (Note 20)	(7,880)	—	(83)	(16,631)
<b>Closing amount as at 30 June 2019</b>	<b>120,479</b>	<b>17,586,000</b>	<b>643</b>	<b>291,050</b>

Valuations of the Group's investment properties were performed by an independent professional valuer, Colliers International (Hong Kong) Limited ("Colliers"), to determine the fair values of the investment properties as at 30 June 2020 and 31 December 2019. The revaluation gains or losses are included in "Fair value gains on investment properties — net" in the condensed consolidated statement of comprehensive income.



# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

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

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

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

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

Description	Fair value measurements at 30 June 2020 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000
<b>Recurring fair value measurements</b>			
Investment properties	—	—	<b>19,287,000</b>

Description	Fair value measurements at 31 December 2019 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
	Audited	Audited	Audited
	RMB'000	RMB'000	RMB'000
<b>Recurring fair value measurements</b>			
Investment properties	—	—	<b>19,399,000</b>

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

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

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

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

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

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Opening balance	19,399,000	17,039,000
Additions	758,933	615,459
Disposal	(1,140,000)	(343,474)
Net gains from fair value adjustment	269,067	275,015
Closing balance	19,287,000	17,586,000

### Valuation processes of the Group

The fair value of the Group's investment properties at 30 June 2020 and 2019 were valued by independent professional valuer — Colliers, who holds recognized relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

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 interim period and financial year end, the finance department:

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

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 7 Property, plant and equipment, investment properties, intangible assets and right-of-use assets (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 input include:

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

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

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

There were no major changes to the valuation techniques during the period.

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 8 Investments accounted for using the equity method

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
<b>Beginning of the period</b>	<b>787,374</b>	550,556
Fair value of the retained interest of the associates	<b>66,785</b>	148,243
Share of post-tax profits of associates	<b>3,870</b>	85,265
<b>End of the period</b>	<b>858,029</b>	784,064

### Investments in associates

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

Nature of investments in associates as at 30 June 2020:

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
Yupei Logistics Property Management 12 Co., Ltd ("Management 12") (d)	BVI	10%*	Associate	Equity
Yupei Tianjin Logistics Property Management Co., Ltd ("Tianjin Management") (e)	BVI	10%*	Associate	Equity

\* Although the percentage of the voting rights held by the Group is less than 20%, one of the three directors of the board of directors of Management 12 and Tianjin Management are nominated by the Group; thereby the Group is able to exercise significant influence over Management 12 and Tianjin Management, and accordingly they are accounted for as associates of the Group.

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 8 Investments accounted for using the equity method (continued)

#### Investments in associates (continued)

- (a) Shanghai Hongyu was jointly established by Yupei Anhui Logistics Property Development Co., Ltd., a subsidiary of the Group, and external third parties, Shanghai Xingchao Investment Management Co., Ltd. and Shanghai Tianzhuo Investment Management Co., Ltd. in March 2015. Its major operation is leasing and provision of related management services.
- (b) 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) 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”).
- (d) The Group sold 90% shares in Management 12 in May 2020. After the disposal transaction, Management 12 became an associate of the Group. The major operation of Management 12 is leasing and provision of related management services through its 100% holding subsidiary, Huizhou Yuanwang Technology Park Development Co., Ltd. (“Huizhou Yuanwang”).
- (e) The Group sold 90% shares in Tianjin Management in June 2020. After the disposal transaction, Tianjin Management became an associate of the Group. The major operation of Tianjin Management is leasing and provision of related management services through its 100% holding subsidiary, Tianjin Yupei Logistics Co., Ltd. (“Tianjin Yupei Logistics”).

There are no contingent liabilities relating to the Group’s interest in its associates as at 30 June 2020 and 31 December 2019.

## Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 8 Investments accounted for using the equity method (continued)

#### Investments in associates (continued)

##### Reconciliation of summarized financial information

	Six months ended 30 June 2020			Period from disposal dates to 30 June 2020	
	Shanghai Hongyu Unaudited RMB'000	Management 10 Unaudited RMB'000	Management 15 Unaudited RMB'000	Management 12 Unaudited RMB'000	Tianjin Management Unaudited RMB'000
Net assets at beginning of the period	1,454,532	288,260	348,459	—	—
Fair values of the net assets on the dates becoming associates of the Group	—	—	—	354,119	313,738
Profit/(loss) for the period	13,397	(3,776)	(20,274)	21,275	34,637
Net assets at end of the period	1,467,929	284,484	328,185	375,394	348,375
Percentage held	41%	30%	30%	10%	10%
Interest in associates	601,851	85,345	98,456	37,539	34,838
Carrying value	601,851	85,345	98,456	37,539	34,838

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 8 Investments accounted for using the equity method (continued)

#### Investments in associates (continued)

##### Reconciliation of summarized financial information (continued)

	Six months ended 30 June 2019		
	Shanghai Hongyu	Management 10	Management 15
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Net assets at beginning of the period	1,342,819	—	—
Fair values of the net assets on the dates becoming associates of the Group	—	222,974	271,169
Profit for the period	153,252	58,308	16,465
<b>Net assets at end of the period</b>	<b>1,496,071</b>	<b>281,282</b>	<b>287,634</b>
Percentage held	41%	30%	30%
Interest in associates	613,389	84,385	86,290
<b>Carrying value</b>	<b>613,389</b>	<b>84,385</b>	<b>86,290</b>

### 9 Other long-term prepayments

As at 30 June 2020 and 31 December 2019, the balance of other long-term prepayments is as follows:

	As at	
	30 June 2020	31 December 2019
	Unaudited RMB'000	Audited RMB'000
Prepaid taxes other than income tax	219,134	206,571
Prepayment for construction costs	239,337	230,093
Prepayment for land use rights	37,117	—
Long-term prepaid expenses	12,550	14,667
	<b>508,138</b>	451,331

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 10 Trade and other receivables and prepayments

### (a) Trade and other receivables

	As at	
	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
<b>Trade receivables (i)</b>		
Rental and management service receivables from third parties	24,856	8,638
Rental and management service receivables from related parties (Note 27(f))	32,020	1,890
	<b>56,876</b>	10,528
<b>Other receivables</b>		
Other receivables for land use rights and other deposits	40,825	38,304
Other receivables for unpaid consideration	266,280	12,217
Other receivables due from other third parties	3,128	3,024
Other receivables due from related parties (Note 27(f))	103,112	34,449
	<b>413,345</b>	87,994
Less: Loss allowance for trade receivables	(1,561)	(589)
Loss allowance for other receivables	(6,622)	(6,622)
	<b>(8,183)</b>	(7,211)
	<b>462,038</b>	91,311

- (i) As at 30 June 2020, trade receivables of RMB5,848,000 (31 December 2019: RMB670,000) and RMB1,472,000 (31 December 2019: RMB182,000) were pledged as collaterals for the bank borrowings and asset-backed medium-term notes, respectively (Note 16).



# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 10 Trade and other receivables and prepayments (continued)

### (a) Trade and other receivables (continued)

As at 30 June 2020 and 31 December 2019, the fair values of the current portion of trade and other receivables of the Group approximated their carrying amounts. As at 30 June 2020 and 31 December 2019, all carrying amounts of trade and other receivables were denominated in RMB.

As at 30 June 2020 and 31 December 2019, the aging analysis of the trade receivables based on the dates that the Group was entitled to collect the rental income, was as follows:

	As at	
	30 June 2020	31 December 2019
	Unaudited	Audited
	RMB'000	RMB'000
Up to 30 days	19,931	8,171
31 to 90 days	15,150	1,224
91 to 365 days	20,923	685
Over 365 days	872	448
	<b>56,876</b>	<b>10,528</b>

### (b) Prepayments

	As at	
	30 June 2020	31 December 2019
	Unaudited	Audited
	RMB'000	RMB'000
Current portion of prepaid taxes other than income tax	49,825	73,455
Prepayments for utilities	7,340	10,641
Prepayments for financing cost of bank borrowings	5,000	5,000
Prepaid income taxes	196	1,926
	<b>62,361</b>	<b>91,022</b>

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 11 Financial Assets at FVPL

	As at	
	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Current	—	146,975
Non-current	—	111,973
	—	258,948

  

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>At beginning of the period</b>	<b>258,948</b>	347,513
Additions	—	90,724
Net fair value changes recognized in profit or loss (Note 21)	<b>243</b>	6,465
Redemptions	<b>(259,191)</b>	—
<b>At end of the period</b>	<b>—</b>	444,702

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 and US\$ denominated promissory notes issued by a third party with principal amount of US\$18,500,000. 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.

As at 30 June 2020, the Group early redeemed all these promissory notes with a gain of RMB243,000 (Note 21).

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 12 Cash and cash equivalents and restricted cash

	As at	
	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Cash at bank and on hand	1,553,940	1,496,430
Cash in transit	46,151	—
Less: Restricted cash		
— Current (i)	(12,920)	(12,043)
— Non-current (ii)	(357,128)	(318,056)
Cash and cash equivalents	1,230,043	1,166,331

- (i) As at 30 June 2020, restricted deposits of RMB5,920,000 (31 December 2019: RMB5,043,000) were held at bank for construction deposits and restricted deposits of RMB7,000,000 (31 December 2019: RMB7,000,000) were held at bank as collateral for the current portion of long-term bank borrowing (Note 16).
- (ii) As at 30 June 2020, restricted deposits of RMB5,008,000 (31 December 2019: RMB10,016,000) were held at bank for construction deposits, restricted deposits of RMB350,000,000 (31 December 2019: RMB300,000,000) were held at bank as collateral for the long-term bank borrowings and restricted deposits of RMB2,120,000 (31 December 2019: RMB8,040,000) were held at bank for construction worker labor fee.

## 13 Share capital and share premium, and treasury shares

### (a) Authorized shares

	Number of authorized shares Unaudited
At 1 January 2020 and 30 June 2020	8,000,000,000
At 1 January 2019 and 30 June 2019	8,000,000,000

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

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

### (b) Issued shares

	Number of issued shares Unaudited	Ordinary shares Unaudited RMB'000	Treasury shares Unaudited RMB'000	Share premium Unaudited RMB'000	Total Unaudited RMB'000
<b>At 1 January 2020</b>	<b>3,234,192,999</b>	<b>1,317</b>	<b>—</b>	<b>6,441,072</b>	<b>6,442,389</b>
Employee share option scheme					
— Exercise of share options (Note 15)	1,072,000	—	—	3,501	3,501
Repurchase of shares (i)	—	—	(88,530)	—	(88,530)
<b>At 30 June 2020</b>	<b>3,235,264,999</b>	<b>1,317</b>	<b>(88,530)</b>	<b>6,444,573</b>	<b>6,357,360</b>
<b>At 1 January 2019</b>	<b>3,245,277,999</b>	<b>1,323</b>	<b>—</b>	<b>6,458,984</b>	<b>6,460,307</b>
Employee share option scheme					
— Exercise of share options (Note 15)	962,000	—	—	2,651	2,651
Repurchase of shares (ii)	—	—	(25,183)	—	(25,183)
Cancellation of shares (ii)	(13,576,000)	(6)	25,183	(25,177)	—
<b>At 30 June 2019</b>	<b>3,232,663,999</b>	<b>1,317</b>	<b>—</b>	<b>6,436,458</b>	<b>6,437,775</b>

- (i) Pursuant to the 2020 share award scheme approved by the Board on 31 March 2020, the Company may, from time to time, at its absolute discretion, select and grant share awards to selected participant which are to be satisfied by the new shares to be subscribed or the existing shares purchased by the Core Trust Company Ltd. (the "Trustee") under the agreement that the Company and the Trustee entered into on 31 March 2020. As of 30 June 2020, The Trustee, on behalf of the Company, has repurchased 33,503,000 ordinary shares with total amount of RMB88,530,000.
- (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. The Company cancelled the shares on 8 February 2019. The amount of share capital and share premium was deducted accordingly.

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 14 Other reserves

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
<b>Balance at 1 January</b>	<b>189,481</b>	174,774
Employee share option scheme		
– Value of employee services	–	(578)
– Exercise of share options	<b>(1,912)</b>	(1,298)
<b>Balance at 30 June</b>	<b>187,569</b>	172,898

### 15 Share-based payments

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

	For the six months period ended 30 June			
	2020		2019	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
	per share Unaudited	Unaudited	per share Unaudited	Number of options Unaudited
As at 1 January	1.625	7,542,200	1.625	11,096,200
Exercised (Note 13)	1.625	(1,072,000)	1.625	(962,000)
Forfeited	1.625	–	1.625	(1,062,400)
As at 30 June	1.625	6,470,200	1.625	9,071,800

Share options outstanding at 30 June 2020 have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	
		in HK\$ per share	Number of options
21 March 2016	21 March 2021	1.625	4,094,200
28 March 2016	28 March 2021	1.625	2,376,000
			6,470,200

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 16 Borrowings

	As at	
	30 June 2020	31 December 2019
	Unaudited	Audited
	RMB'000	RMB'000
<b>Non-current</b>		
Long-term bank borrowings		
– secured by assets (a)	3,697,901	4,075,632
– secured by equity interest of certain subsidiary (c)	29,500	50,000
– secured by assets and equity interests of certain subsidiaries (b)	423,567	–
Long-term borrowings from other financial institutions		
– secured by assets and equity interests of certain subsidiaries (f)	244,341	–
Senior notes		
– secured by guarantees and pledges provided by certain subsidiaries (g)	2,710,520	2,790,063
Asset-backed medium-term notes (“ABN”)		
– secured by assets (h)	446,803	448,272
	7,552,632	7,363,967
Less: Long-term bank borrowings due within one year	(354,488)	(446,404)
Long-term borrowings from other financial institutions due within one year	(51,515)	–
Senior notes due within one year	(1,572,594)	(1,673,447)
ABN due within one year	(554)	(554)
	5,573,481	5,243,562
<b>Current</b>		
Short-term bank borrowings		
– secured by equity interest of certain subsidiary (e)	20,000	–
– unsecured (d)	50,000	20,000
Current portion of long-term bank borrowings		
– secured by assets (a)	351,338	446,404
– secured by assets and equity interests of certain subsidiaries (b)	2,150	–
– secured by equity interest of certain subsidiary (c)	1,000	–
Current portion of long-term borrowings from other financial institutions		
– secured by assets and equity interests of certain subsidiaries (f)	51,515	–
Current portion of senior notes		
– secured by guarantees and pledges provided by certain subsidiaries (g)	1,572,594	1,673,447
Current portion of ABN		
– secured by assets (h)	554	554
	2,049,151	2,140,405
<b>Total borrowings</b>	<b>7,622,632</b>	<b>7,383,967</b>

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 16 Borrowings (continued)

- (a) As at 30 June 2020, bank borrowings of RMB2,840,618,000 (31 December 2019: RMB3,514,085,000) with undrawn borrowing amounting to RMB517,320,000 (31 December 2019: RMB376,500,000) were secured by the investment properties of the Group amounting to RMB11,265,000,000 (31 December 2019: RMB13,029,000,000).

As at 30 June 2020, bank borrowings of RMB298,470,000 (31 December 2019: RMB298,620,000) were secured by restricted deposit of the Group amounting to RMB300,000,000 (31 December 2019: RMB300,000,000) (Note 12).

As at 30 June 2020, bank borrowings of RMB353,492,000 (31 December 2019: RMB190,661,000) with undrawn borrowing amounting to RMB11,500,000 (31 December 2019: Nil) were secured by the investment properties of the Group amounting to RMB1,197,000,000 (31 December 2019: RMB684,000,000), trade receivables amounting to RMB4,642,000 (31 December 2019: RMB370,000) (Note 10), and the rental income generated from the lease of the investment properties during the terms of the borrowings (31 December 2019: secured by the rental income).

As at 30 June 2020, bank borrowings of RMB205,321,000 (31 December 2019: RMB72,266,000) with undrawn borrowing of RMB120,000,000 (31 December 2019: Nil) were secured by the investment properties of the Group amounting to RMB1,049,000,000 (31 December 2019: RMB341,000,000), trade receivables amounting to RMB6,000 (31 December 2019: RMB300,000) (Note 10), the rental income generated from the lease of the investment properties during the terms of the borrowings (31 December 2019: secured by the rental income), and restricted deposits of the Group amounting to RMB27,000,000 (31 December 2019: RMB7,000,000) (Note 12).

- (b) As at 30 June 2020, bank borrowings of RMB423,567,000 (31 December 2019: Nil) were secured by the investment properties of the Group amounting to RMB1,125,000,000 (31 December 2019: Nil), trade receivables amounting to RMB1,200,000 (31 December 2019: Nil) (Note 10), the rental income generated from the lease of the investment properties during the terms of the borrowings, restricted deposits of the Group amounting to RMB30,000,000 (31 December 2019: Nil) (Note 12), and the Group's equity interests in certain subsidiaries.
- (c) As at 30 June 2020, bank borrowing of RMB29,500,000 (31 December 2019: RMB50,000,000) was secured by the Group's equity interest in certain subsidiary.
- (d) As at 30 June 2020, bank borrowings of RMB50,000,000 (31 December 2019: RMB20,000,000) with undrawn borrowings of RMB9,500,000 (31 December 2019: Nil) were unsecured.
- (e) As at 30 June 2020, bank borrowing of RMB20,000,000 (31 December 2019: Nil) were secured by the Group's equity interest in certain subsidiary.
- (f) As at 30 June 2020, borrowings from other financial institution of RMB244,341,000 (31 December 2019: Nil) were secured by the investment properties of the Group amounting to RMB488,000,000 (31 December 2019: Nil), the rental income generated from the lease of the investment properties during the terms of the borrowings and the Group's equity interests in certain subsidiaries.

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 16 Borrowings (continued)

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

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

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.

- (h) 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 RMB1,494,000,000 (31 December 2019: RMB1,463,000,000), trade receivables amounting to RMB1,472,000 (31 December 2019: RMB182,000) (Note 10), as well as the rental income generated from the lease of the investment properties during the terms of ABN (31 December 2019: secured by the rental income) 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 7.3% 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 values of current and non-current borrowings equal their carrying amounts, 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.



# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 16 Borrowings (continued)

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2020	31 December 2019
	Unaudited	Audited
	RMB'000	RMB'000
Floating rate:		
– expiring beyond 1 year	648,820	376,500
Fixed rate:		
– expiring beyond 1 year	9,500	–

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

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

### 17 Convertible bonds

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
<b>At 1 January</b>	<b>996,259</b>	–
Issuance	–	975,034
Payment of interest	(35,450)	–
Fair value change	185,458	–
<b>At 30 June</b>	<b>1,146,267</b>	975,034

On 26 June 2019 (the "Issue Date"), the Company issued the 2019 Convertible Bonds in the principal amount of HK\$1,109,000,000. The 2019 Convertible Bonds are secured by guarantees and pledges provided by certain subsidiaries of the Group. The 2019 Convertible Bonds will mature on 26 June 2024 (the "Maturity Date"), unless earlier redeemed, converted or purchased and cancelled in accordance with the terms thereof. The 2019 Convertible Bonds bear interest at a rate of 6.95% per annum payable semi-annually in arrears on 26 June and 26 December of each year, commencing on 26 December 2019. Berkeley Asset Holding Ltd ("Berkeley Asset"), a substantial shareholder of the Company and wholly-owned by RRJ Capital Master Fund II, L.P., subscribed HK\$589,000,000 of principal amount of the 2019 Convertible Bonds on the Issue Date (Note 27(d)).

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 17 Convertible bonds (continued)

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 condensed 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.

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\$3.32
Stock price volatility	36.15%
VWAP	HK\$3.32
VWAP volatility	33.26%
Coupon rate	6.95%
Effective interest rate	35.44%
Expected dividend yield	0.00%
Risk free rate	0.75%

The fair values of the 2019 Convertible Bonds at 30 June 2020 is HK\$1,254,890,183 (equivalent to RMB1,146,266,889).

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 30 June 2020 would be approximately RMB6,458,650 lower or RMB6,706,259 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 30 June 2020 would be approximately RMB7,119,280 higher or RMB7,267,693 lower.

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 18 Deferred income tax liabilities

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
<b>Balance at 31 December</b>	<b>1,998,186</b>	1,759,911
Deferred income tax assets recognized under IFRS 16	—	(8,811)
<b>Balance at 1 January</b>	<b>1,998,186</b>	1,751,100
Charged to the condensed consolidated statement of comprehensive income (Note 23)	<b>86,551</b>	97,562
Disposal of subsidiaries (Note 21)	<b>(136,928)</b>	(12,663)
<b>Balance at 30 June</b>	<b>1,947,809</b>	1,835,999

### 19 Trade and other payables

	As at	
	30 June 2020	31 December 2019
	Unaudited RMB'000	Audited RMB'000
Interest payable	<b>76,315</b>	78,820
Payables for construction costs (a)	<b>44,292</b>	166,896
Rental deposits and other deposits payable to third parties	<b>35,864</b>	26,194
Advances from a related party (Note 27(f))	<b>31,232</b>	—
Rental deposits payable to related parties (Note 27(f))	<b>25,197</b>	29,057
Prepaid rents from third parties	<b>25,186</b>	24,945
Prepaid rents from related parties (Note 27(f))	<b>22,708</b>	25,633
Other taxes payable	<b>22,435</b>	24,343
Accrued operating expenses	<b>19,201</b>	20,542
Payables for commission fees and other expenses related to issuance of senior notes	<b>9,577</b>	9,699
Payables for land use rights commission fee	<b>3,573</b>	11,342
Employee benefit payables	<b>2,923</b>	11,396
	<b>318,503</b>	428,867

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 19 Trade and other payables (continued)

- (a) At 30 June 2020 and 31 December 2019, the ageing analysis of payables for construction costs based on the dates that the Group had the payment obligation for the construction costs, was as follows:

	As at	
	30 June 2020	31 December 2019
	Unaudited RMB'000	Audited RMB'000
Up to 1 year	34,874	142,108
1 year to 2 years	8,127	23,474
Over 2 years	1,291	1,314
	<b>44,292</b>	<b>166,896</b>

## 20 Expenses by nature

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
Property tax, land tax and other tax charges	54,266	50,016
Depreciation and amortization expenses (Note 7)	27,528	24,594
Employee benefit expenses — including directors' emoluments	23,348	23,179
Maintenance and repairing costs	20,367	16,283
Leasing commission	4,581	5,142
Utilities and office expenses	3,770	4,318
Professional fees	3,100	5,976
Travelling expenses	1,640	2,294
Auditors' remuneration		
— Audit services	1,500	1,500
— Non-audit services	1,000	1,000
Leasing fees of short-term leases	843	922
Entertainment expenses	506	1,283
Bank charges	450	412
Covid-19-related rent concessions (Note 3)	(2,785)	—
Other expenses	2,555	2,374
	<b>142,669</b>	<b>139,293</b>

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 21 Other gains – net

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
Fair value gains on financial assets at FVPL (Note 11)	243	6,465
Gains/(losses) from disposal of subsidiaries (a)	72,448	(2,778)
Net gains from disposal of property, plant and equipment	354	—
Donations	(110)	—
Others	(228)	(103)
	<b>72,707</b>	<b>3,584</b>

#### a) Disposal of subsidiaries

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
Consideration received or receivable:		
Total disposal consideration	601,072	340,201
Fair values of remaining shares in associates	66,785	148,243
Less: carrying amount of net assets disposed	(595,409)	(491,222)
<b>Gains/(losses) on disposal before income tax</b>	<b>72,448</b>	<b>(2,778)</b>
Capital gain tax	(35,335)	(10,999)
<b>Gains/(losses) on disposal after income tax</b>	<b>37,113</b>	<b>(13,777)</b>

Pursuant to the cooperation framework agreement that the Company and LaSalle Investment Management Asia Pte. Ltd. (“LaSalle”) entered into in August 2018, the Company, through its subsidiary (as the “Seller”), entered into sale and purchase agreements (the “SPAs”) with Lao V CN Holding III Pte. Ltd, an affiliated entity of LaSalle (as the “Purchaser”) on 9 November 2018 and 29 May 2019, respectively. Pursuant to the SPAs, the Seller has agreed to sell, and the Purchaser has agreed to purchase about 70% of total issued shares in Management 10 and Management 15 at the consideration of RMB122,251,000 and RMB217,950,000 in cash, respectively. The completion date of the disposals of Management 10 and Management 15 were 5 June 2019 and 14 June 2019, respectively.

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 21 Other gains – net (continued)

### a) Disposal of subsidiaries (continued)

On 26 March 2020, the Company and China Yupei (as the “Transferors”) and Lao V (as the “Transferee”) entered into the share purchase agreement, pursuant to which the Transferors have agreed to sell, and the “Transferee” has agreed to purchase 90% shares in Management 12 and Management Tianjin at the consideration of RMB318,707,000 and RMB282,364,000 in cash, respectively. The Transferee has further agreed to render to Huizhou Yuanwang, the wholly-owned subsidiary of Management 12, which owns the land use right and the existing industrial buildings located in Huizhou, PRC and Tianjin Yupei Logistics, the wholly-owned subsidiary of Management Tianjin, which owns the land use right and the existing industrial buildings located in Tianjin, PRC. The completion date of this disposal was on 27 May 2020 and 2 June 2020 respectively. As of 30 June 2020, RMB196,074,000 and RMB158,396,000 of this disposal transaction were paid according to the agreement, respectively.

The carrying amounts of assets and liabilities of subsidiaries disposed of as at the dates of disposals were:

	As at the dates of disposals in	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Total assets	1,193,925	926,809
Total liabilities	(598,516)	(435,587)
<b>Net assets</b>	<b>595,409</b>	491,222

Cash flows related to the disposal of subsidiaries were:

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>Consideration received or receivable</b>		
Total disposal consideration	601,071	340,201
Less: unpaid consideration	(262,080)	(35,162)
Total consideration received	338,991	305,039
Less: cash and cash equivalents of the disposed subsidiaries as at disposal dates	(8,078)	(13,700)
<b>Net proceeds from disposal of subsidiaries</b>	<b>330,913</b>	291,339

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 22 Finance expenses – net

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
<b>Finance expenses</b>		
Interest on bank borrowings	(127,876)	(113,788)
Interest on borrowings from other financial institutions	(4,546)	(35,274)
Interest on senior notes	(153,186)	(143,450)
Interest on ABN	(16,826)	(564)
Interest on lease liabilities (Note 27(b))	(8,917)	(9,790)
	<b>(311,351)</b>	<b>(302,866)</b>
Less: capitalization of interest	75,139	70,560
Net interest expenses	<b>(236,212)</b>	<b>(232,306)</b>
Transaction cost of convertible bonds	—	(11,535)
Exchange losses	(44,178)	(18,205)
Less: capitalization of exchange losses	659	—
Net exchange losses	<b>(43,519)</b>	<b>(18,205)</b>
	<b>(279,731)</b>	<b>(262,046)</b>
<b>Finance income</b>		
Interest income on bank deposits	12,029	10,739
<b>Net finance expenses</b>	<b>(267,702)</b>	<b>(251,307)</b>

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 23 Income tax expense

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

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

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	52,871	27,433
Deferred income tax (Note 18)	86,551	97,562
	139,422	124,995

### (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 period.

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

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

### (iv) PRC withholding income tax

According to the new CIT Law, a 10% withholding income tax will be levied on the dividend paid to the immediate holding companies established outside the PRC. A lower withholding income tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies.

The Group did not recognize deferred tax liability on accumulated undistributed profit of its PRC subsidiaries as at 30 June 2020 and 31 December 2019, because the subsidiaries do not intend to distribute dividend in foreseeable future.



# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 24 (Loss)/earnings per share

#### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
(Loss)/Profit attributable to owners of the Company (RMB'000)	(25,575)	191,827
Weighted average number of ordinary shares in issue	3,234,486,336	3,233,255,616
Basic (loss)/earnings per share (RMB per share)	(0.0079)	0.0593

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended	
	30 June	
	2019	
	Unaudited	
Profit attributable to owners of the Company (RMB'000)	191,827	
Add: fair value changes of the convertible note (Note 17)	—	
	191,827	
Weighted average number of ordinary shares in issue	3,233,255,616	
Adjustment for shares granted under share option scheme	3,537,335	
Adjustment for shares granted under the convertible bonds	7,725,531	
Weighted average number of ordinary shares for diluted earnings per share	3,244,518,482	
Diluted earnings per share (RMB per share)	0.0591	

During the period ended 30 June 2020, the Group's convertible bonds were anti-dilutive and, accordingly, were excluded from the computation of diluted earnings per share.

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 25 Dividends

The Company did not declare or distribute any dividend to the Company's shareholders for the six months ended 30 June 2020 and 2019.

## 26 Contingencies

The Group did not have significant contingent liabilities as at 30 June 2020 and 31 December 2019.

## 27 Related party transactions

Mr. Li Shifa ("Mr. Li") and Ms. Ma Xiaocui ("Ms. Ma") are the substantial shareholders of the Group and their subsidiaries are regarded as the related parties.

Jingdong Logistics Group Corporation ("JD Subscriber") subscribed for 321,068,999 newly issued shares of the Company on 11 May 2018. After the completion of the subscription, JD Subscriber holds 9.9% of the total issued shares of the Company, and also by representation in the Company's Board, JD Subscriber is regarded as a related party since 11 May 2018. As JD Subscriber is ultimately controlled by JD.com, Inc., JD.com, Inc. and all its subsidiaries (together "JD Subsidiaries") are regarded as the related parties since 11 May 2018.

Names and relationships with related parties are as follows:

Company name	Relationships
Shanghai Yupei Industrial (Group) Co., Ltd. ("Shanghai Yupei Industrial")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei 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 Management 10	Associate of the Company
Management 15	Associate of the Group
Kunshan Yuzai	Associate of the Group
JD Subsidiaries	Subsidiary of the associate of the Group
Berkeley Asset	Ultimately controlled by JD.com, Inc.
Huizhou Yuanwang	Substantial shareholder of the Group
Tianjin Yupei Logistics Management 12	Subsidiary of the associate of the Group
	Associate of the Group

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 27 Related party transactions (continued)

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. The significant transactions carried out between the Group and its related parties during the six months ended 30 June 2020 and 2019, and balances arising from related party transactions as at 30 June 2020 and 31 December 2019 are summarised below.

#### (a) Services provided to related parties

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
Rental income and revenue from providing property management services to		
– Yupei Supply Chain	19,498	24,038
– Yupei Express Logistics	3,550	3,355
– Shanghai Yupei Industrial	3,165	3,054
	<b>26,213</b>	30,447

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
Rental income and revenue from providing property management services to		
– JD Subsidiaries	119,359	106,499

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 27 Related party transactions (continued)

### (b) Lease transactions with a related party

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Acquisition of right-of-use assets from		
– Shanghai Hongyu	–	307,681
Interest expense on lease liabilities (Note 22)		
– Shanghai Hongyu	8,917	9,790
Lease fee payment to		
– Shanghai Hongyu	5,571	9,749

### (c) Advances to and from related parties

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Advances to		
– Shanghai Hongyu	–	14,030
Receipt of advances to		
– Shanghai Hongyu	32,392	–
– Huizhou Yuanwang	46,151	–
	78,543	–
Advances from		
– Shanghai Hongyu	31,232	–

# Notes to the Condensed Consolidated Interim Financial Information

## For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

### 27 Related party transactions (continued)

#### (d) Convertible bonds subscribed by a related party

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Principal amount of convertible bonds subscribed by		
– Berkeley Asset (Note 17)	–	589,000

#### (e) Key management personnel compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is summarised below:

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries and allowance	4,879	4,957
Other social security cost, housing benefits and other employee benefits	149	345
Employee share option expenses	–	985
	5,028	6,287

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 27 Related party transactions (continued)

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

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Prepayment to		
– JD Subsidiaries	169	181
Trade receivables from (Note 10(a))		
– Yupei Supply Chain	21,992	419
– Yupei Express Logistics	5,967	–
– Shanghai Yupei Industrial	3,497	33
– JD Subsidiaries	564	1,438
	<b>32,020</b>	<b>1,890</b>
Rental deposits and other receivables from (Note 10(a))		
– Shanghai Hongyu		
– Advances	–	32,392
– Rental deposits	2,000	2,000
– Tianjin Yupei Logistics	88,368	–
– Kunshan Yuzai	10,364	–
– Huizhou Yuanwang	2,303	–
– Management 15	32	32
– Management 12	20	–
– Management 10	12	12
– Development 15	9	9
– Development 10	4	4
	<b>103,112</b>	<b>34,449</b>
Long-term rental deposits payable to		
– JD Subsidiaries	26,100	16,728
– Yupei Express Logistics	1,180	–
– Yupei Supply Chain	848	–
	<b>28,128</b>	<b>16,728</b>

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 27 Related party transactions (continued)

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

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Prepaid rents from (Note 19)		
– JD Subsidiaries	22,708	25,577
– Yupei Supply Chain	–	56
	<b>22,708</b>	<b>25,633</b>
Rental deposits payable to (Note 19)		
– JD Subsidiaries	23,797	27,395
– Yupei Express Logistics	1,400	1,400
– Yupei Supply Chain	–	262
	<b>25,197</b>	<b>29,057</b>
Advances from		
– Shanghai Hongyu	31,232	–
Leasing liabilities		
– Shanghai Hongyu		
– Current	31,981	14,815
– Non-current	277,654	294,259
	<b>309,635</b>	<b>309,074</b>

The receivables from and payables to related parties as at 30 June 2020 and 31 December 2019 arise mainly from ordinary course of businesses. The receivables are unsecured in nature and bear no interest. There are no provisions made against receivables from related parties.

# Notes to the Condensed Consolidated Interim Financial Information For the six months ended 30 June 2020

(All amounts in RMB unless otherwise stated)

## 28 Events occurring after the balance sheet date

### (a) Proposed issue of 6.95% convertible bonds

On 29 June 2020, the Company and its subsidiary guarantors entered into a subscription agreement with BCC Leap Holdco, L.P. (the “Purchaser”) in relation to the issue of 6.95% convertible bonds due 2025 (the “2020 Convertible Bonds”). Pursuant to the subscription agreement, subject to fulfilment of certain conditions, the Company agreed to issue, the Purchaser agreed to subscribe the 2020 Convertible Bonds, in the principal amount of US\$100,000,000. The 2020 Convertible Bonds will be secured by guarantees and pledges provided by certain subsidiaries of the Group. The 2020 Convertible Bonds will mature 5 years after the issue date unless earlier redeemed, converted or purchased and cancelled in accordance with the terms thereof, and will bear interest at 6.95% per annum payable semi-annually. The net proceeds of the 2020 Convertible Bonds will be used for the repayment in full of the outstanding principal amount and accrued interests of the 2018 November Notes, and for general corporate purposes.

The ordinary resolution in relation to the proposed issue of 2020 Convertible Bonds was duly passed at the extraordinary general meeting of the Company held on 14 August 2020.

### (b) Issue of commercial mortgage backed securities

On 7 August 2020, the Company’s subsidiary — Shanghai Yupei issued commercial mortgage backed securities (the “CMBS”) in the principal amount of RMB530,000,000, among which RMB30,000,000 were repurchased by Shanghai Yupei. The borrowers of the CMBS are 2 project subsidiaries of the Group with their investment properties, trade receivables, rental income generated from the lease of the investment properties during the terms of CMBS, as well as guarantees provided by Shanghai Yupei and the Company pledged as collaterals for the CMBS. The CMBS will mature on 4 May 2038 unless earlier redeemed in accordance with the terms thereof. The CMBS bear interest at a rate of 4.15% per annum, and both principal and interest are payable quarterly in arrears on 4 August, 4 November, 4 February and 4 May of each year, commencing on 4 September 2020.

Save as disclosed above, there are no other material subsequent events undertaken by the Company or by the Group after 30 June 2020.





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

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