CNLP

中国物流资产 CHINA LOGISTICS PROPERTY HOLDINGS

2021
年度報告
Annual Report

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

開啓新篇章

START A NEW CHAPTER

物流設施提供商 · 服務商

LOGISTICS FACILITIES AND SERVICE PROVIDER

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Wei *(Chairman and Chief Executive Officer) (appointed on 4 February 2022)*
Mr. Li Chen *(appointed on 4 February 2022)*
Ms. Yang Jing *(appointed on 4 February 2022)*
Mr. Dai Weiwei *(appointed on 4 February 2022)*

Non-executive Directors

Mr. Li Shifa *(re-designated from an executive director on 4 February 2022 and resigned on 1 March 2022)*
Mr. Wu Guolin *(re-designated from an executive director on 4 February 2022 and resigned on 1 March 2022)*
Ms. Li Huifang *(re-designated from an executive director on 4 February 2022 and resigned on 1 March 2022)*
Ms. Shi Lianghua *(re-designated from an executive director on 4 February 2022 and resigned on 1 March 2022)*
Mr. Xie Xiangdong *(re-designated from an executive director on 4 February 2022 and resigned on 1 March 2022)*
Mr. Wu Guozhou *(re-designated from an executive director on 4 February 2022 and resigned on 1 March 2022)*
Ms. Li Qing *(resigned on 1 March 2022)*
Mr. Fu Bing

Independent Non-executive Directors

Mr. Guo Jingbin *(resigned on 1 March 2022)*
Mr. Fung Ching Simon *(resigned on 1 March 2022)*
Mr. Wang Tianye *(resigned on 1 March 2022)*
Mr. Leung Chi Ching Frederick *(resigned on 1 March 2022)*
Mr. Chen Yaomin *(resigned on 1 March 2022)*
Ms. Zhai Xin *(appointed on 4 February 2022)*
Mr. Li Wei *(appointed on 4 February 2022)*
Mr. Ji Jiagen *(appointed on 4 February 2022)*

AUDIT COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. Ji Jiagen
Ms. Zhai Xin

REMUNERATION COMMITTEE

Mr. Ji Jiagen *(Chairman)*
Ms. Zhai Xin
Mr. Dai Weiwei

NOMINATION COMMITTEE

Mr. Hu Wei *(Chairman)*
Mr. Ji Jiagen
Ms. Zhai Xin

COMPANY SECRETARY

Ms. So Ka Man

AUTHORIZED REPRESENTATIVES

Mr. Hu Wei
Ms. So Ka Man

LEGAL ADVISORS

As to Hong Kong law:
Miao & Co. (in association with Han Kun Law Offices)
Rooms 3901–05
39/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

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

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

COMPANY'S WEBSITE

www.cnlpholdings.com

STOCK CODE

1589

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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the PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
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Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL BANKS

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

Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**905,035**	798,637	712,506	582,280	403,900
Gross profit	**675,205**	618,257	546,725	433,927	275,652
Gross profit margin	**74.6%**	77.4%	76.7%	74.5%	68.2%
Profit for the year(1)	**25,787**	66,620	349,245	553,552	885,800
Non-IFRSs items:					
Core net profit(2)(3)	**576,601**	510,374	454,519	297,048	162,623
Core net profit margin	**63.7%**	63.9%	63.8%	51.0%	40.3%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**23,308,903**	22,174,693	21,454,078	18,584,119	16,051,440
Current assets	**1,521,413**	1,610,162	1,507,682	3,000,546	2,290,332
Total assets	**24,830,316**	23,784,855	22,961,760	21,584,665	18,341,772
Equity and liabilities					
Total equity	**11,624,423**	11,584,892	11,739,179	11,413,889	9,325,754
Non-current liability	**9,818,828**	10,891,353	8,609,922	7,522,395	7,135,077
Current liabilities	**3,387,065**	1,308,610	2,612,659	2,648,381	1,880,941
Total liabilities	**13,205,893**	12,199,963	11,222,581	10,170,776	9,016,018
Total equity and liabilities	**24,830,316**	23,784,855	22,961,760	21,584,665	18,341,772
Net current assets/(liabilities)	**(1,865,652)**	301,552	(1,104,977)	352,165	409,391
Total assets less current liabilities	**21,443,251**	22,476,245	20,349,101	18,936,284	16,460,831

Notes:

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

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

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

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the business review of China Logistics Property Holdings Co., Ltd (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2021 and our outlook for 2022.

RESULTS

In 2021, the Group recorded a revenue of RMB905.0 million, representing a year-on-year increase of 13.3% as compared with RMB798.6 million in 2020. The Group's gross profit increased from RMB618.3 million in 2020 to RMB675.2 million in 2021, increasing by 9.2% year on year, while its gross profit margin decreased from 77.4% in 2020 to 74.6% in 2021. The total assets of the Group increased from RMB23,784.9 million in 2020 to RMB24,830.3 million in 2021, representing a year-on-year increase of 4.4%.

BUSINESS OVERVIEW

As at 31 December 2021, the Company had 190 logistics facilities in operation in 41 logistics parks, located in logistics hubs in 21 provinces or centrally administered municipalities.

The Group expanded its network of logistics facilities to cope with the growing demand for premium logistics facilities in China and was therefore able to grow its revenue by 13.3% from RMB798.6 million in 2020 to RMB905.0 million in 2021. The Group's gross profit increased from RMB618.3 million in 2020 to RMB675.2 million in 2021.

MAJOR OPERATING DATA OF THE GROUP'S LOGISTICS PARKS

The following table sets forth the major operating data of the Group's logistics parks in 2021:

	As at 31 December	
	2021	2020
Completed GFA:		
Stabilized logistics parks (million sq.m.)[1]	**3.5**	2.8
Pre-stabilized logistics parks (million sq.m.)[2][3]	**0.5**	0.8
Total (million sq.m.)	**4.0**	3.6
Logistics parks under development or being repositioned (million sq.m.)	**0.4**	0.4
Land held for future development (million sq.m.)	**0.7**	0.4
Assets classified as held for sale/Investments accounted for using equity method (million sq.m.)	**0.6**	0.6
Total GFA (million sq.m.)	**5.7**	5.0
Investment projects (million sq.m.)[4]	**4.1**	3.8
Occupancy rate for stabilized logistics parks (%)[1]	**92.9**	90.2

(1) Logistics facilities (i) that had been in operation for more than 12 months as at 31 December 2021 or 2020 (as the case may be) or (ii) reached an occupancy rate of 90%.

(2) Logistics facilities (i) that had been completed and in operation for less than 12 months as at 31 December 2021 or 2020 (as the case may be) and (ii) reached an occupancy rate less than 90%.

(3) After the completion of the construction or acquisition, various government infrastructure preparations and inspections are required before the logistics facilities can commence operations, such as roads, water supply, electricity cable and heating system. In certain cases, due to the surrounding government supporting facilities might still be in the making when the construction or acquisition is completed, the process can take longer than it previously did. To factor this in, the Company now categorises logistics facilities that had been in operation for less than 12 months to be pre-stabilized logistics facilities.

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

BREAKDOWN OF INVESTMENT PROPERTIES

Completed Logistics Parks

The following table sets forth a summary of all the Group's completed and stabilized logistics parks as at 31 December 2021, together with the valuation of such logistics parks:

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Beijing Yupei Linhaitan Logistics Park, East Zhanggezhuang Village, Yongledian Town, Tongzhou District, Beijing, PRC	**83,329**	Logistics Facilities	Yes	804	**821**
Shanghai Yuhang Huangdu Logistics Park, No. 1000 Xiechun Road, Jiading District, Shanghai, PRC	**35,083**	Logistics Facilities	Yes	273	**285**
Suzhou Yupei Logistics Park, No. 28 Hengxinjing Road, Zhoushi Town, Kunshan, Jiangsu Province, PRC	**118,613**	Logistics Facilities	Yes	894	**904**
Wuhan Yupei Hannan Logistics Park, Wujin Industrial Park, Dongjing Sub-district, Hannan District, Wuhan, Hubei Province, PRC	**73,098**	Logistics Facilities	Yes	332	**340**

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Shenyang Yupei Shenbei Logistics Park, No. 10 Hongye Street, Shenyang North New Area, Shenyang, Liaoning Province, PRC	**84,621**	Logistics Facilities	Yes	386	**380**
Shenyang Yupei Economic & Technological Development Zone Logistics Park, No. 17 Shenxi Jiudong Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning Province, PRC	**40,262**	Logistics Facilities	Yes	171	**170**
Zhengzhou Yupei Huazhengdao Logistics Park, East of Yitong Street, South of Xida Road, West of Litong Street and North of Wuliu Avenue, Zhengzhou, Henan Province, PRC	**31,166**	Logistics Facilities	Yes	176	**180**
Chuzhou Yuhang Logistics Park Phase I & II, No. 8 Huayuan West Road, Langya District, Chuzhou, Anhui Province, PRC	**63,568**	Logistics Facilities	Yes	222	**220**
Wuhu Yupei Logistics Park, Sanshan District Logistics Park, Sanshan District, Wuhu, Anhui Province, PRC	**90,304**	Logistics Facilities	Yes	297	**297**

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Zhengzhou Yupei Logistics Park, South of Gucheng South Road, West of Jinsha Avenue, North of Xida Road, East of Litong Road, Zhongmu County, Zhengzhou, Henan Province, PRC	**112,081**	Logistics Facilities	Yes	633	**636**
Tianjin Yupei Logistics Park, Southwestern corner of Xiangjiang Avenue and Bohai 26th Road, Tianjin Harbor Economic Area, Binhai New District, Tianjin, PRC	**96,407**	Logistics Facilities	Yes	508	**506**
Hefei Yuhang Logistics Park, Southeastern corner of Donghua Road and Xinhua Road, Cuozhen Town, Feidong County, Hefei, Anhui Province, PRC	**56,014**	Logistics Facilities	Yes	301	**308**
Suzhou Yuqing Logistics Park, No. 8 Datong Road, Suzhou New District, Suzhou, Jiangsu Province, PRC	**171,108**	Logistics Facilities	Yes	1,124	**1,146**
Changchun Yupei Logistics Park, Hangkong Street, North Area of Changchun National Hi-Tech Industrial Development Zone, Changchun, Jilin Province, PRC	**63,347**	Logistics Facilities	Yes	282	**283**

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Chengdu Yuhang Logistics Park, No. 9 Minsheng Road, Xiangfu Town, Qingbaijiang District, Chengdu, Sichuan Province, PRC	**113,132**	Logistics Facilities	Yes	585	**606**
Wuxi Yupei Logistics Park — Phase I, Northwestern corner of Zoumatang West Road and Yongjun Road, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	**61,609**	Logistics Facilities	Yes	310	**314**
Jiaxing Yupei Logistics Park, West of Sidian Gang, North of Xinchang Road, Nanhu District, Jiaxing, Zhejiang Province, PRC	**130,874**	Logistics Facilities	Yes	787	**784**
Changzhou Yupei Logistics Park, Northwestern corner of Longcheng Avenue and Shengda Road, Luoxi Town, Xinbei District, Changzhou, Jiangsu Province, PRC	**82,712**	Logistics Facilities	Yes	359	**371**
Nantong Yupei Logistics Park, Northeastern corner of Dongfang Avenue and Wei 18th Road, Nantong Sutong Science & Technology Park, Nantong, Jiangsu Province, PRC	**41,449**	Logistics Facilities	Yes	162	**163**

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Suzhou Yuzhen Logistics Park, Northwestern corner of Wenchang Road and National Road 312, Suzhou New District, Suzhou, Jiangsu Province, PRC	**175,434**	Logistics Facilities	Yes	1,111	**1,155**
Harbin Yupei Logistics Park, East of Songhua Road, South of New Holland Co., Ltd, Harbin, Heilongjiang Province, PRC	**80,948**	Logistics Facilities	Yes	337	**336**
Wuxi Yupei Logistics Park — Phase II, Northeastern corner of Yongjun Road and Xidong Avenue, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	**124,392**	Logistics Facilities	Yes	610	**614**
Huai'an Yupei Logistics Park, No. 6 Kaixiang Road, Huai'an Economic & Technological Development Zone, Huai'an, Jiangsu Province, PRC	**57,689**	Logistics Facilities	Yes	199	**197**
Zhaoqing Yupei Logistics Park, Mafang Development Zone, Dasha Town, Sihui, Zhaoqing, Guangdong Province, PRC	**104,857**	Logistics Facilities	Yes	579	**589**

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Dalian Yupei Logistics Park Phase I, East of Gaoxinyuan 10th Road, North of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC	**139,785**	Logistics Facilities	Yes	538	**533**
Xianyang Yupei Logistics Park, North of Xinyuan Road and East of Weidong Road, Xianyang, Shaanxi Province, PRC	**112,731**	Logistics Facilities	Yes	579	**563**
Yupei Zhoushan E-commerce Logistics Industrial Park, Xingang Park, Zhoushan Economic Development Zone, Zhoushan, Zhejiang Province, PRC	**91,057**	Logistics Facilities	Yes	357	**310**
Kunming Yupei Logistics Park, Macheng Road, Chenggong District, Kunming, Yunnan Province, PRC	**102,454**	Logistics Facilities	Yes	501	**509**
Wuxi Yupei Logistics Park Phase III, Southwestern corner of Yongjun Road and Zoumatang West Road, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	**201,023**	Logistics Facilities	Yes	976	**986**

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Luohe Yupei Logistics Park, North of Xinluoshang Road and West of Yushan Road, Zhaoling District, Luohe, Henan Province, PRC	**58,804**	Logistics Facilities	Yes	214	**215**
Chongqing Yupei Xipeng Logistics Park, Section A, Xipeng Community, Jiulongpo District, Chongqing, PRC	**151,443**	Logistics Facilities	Yes	715	**719**
Yuhang Zhoushan Industrial Park, Dongsheng Community, Ganlan Town, Dinghai District, Zhoushan, Zhejiang Province, PRC	**25,801**	Logistics Facilities	Yes	104	**99**
Dalian Yupei Logistics Park Phase II, East of Gaoxinyuan 12th Road, North of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC	**74,297**	Logistics Facilities	Yes	289	**282**
Changsha Yupei Logistics Park, at the Intersection of Yuelu Avenue and Heye Road, Yuelu District, Changsha, Hunan Province, PRC	**119,843**	Logistics Facilities	Yes	647	**661**

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Guiyang Yupei Logistics Park, Northwestern corner of Huayan Road and extension section of Guhuai Road, Huaxi District, Guiyang, Guizhou Province, PRC	**169,437**(1)	Logistics Facilities	Yes	762	**766**
Qingdao Yuhang Logistics Park, North of Zongbao First Road, Jiaodong Air Economic Demonstrative Zone, Qingdao, Shandong Province, PRC	**85,816**(1)	Logistics Facilities	Yes	415	**412**
Bengbu Yupei Logistics Park, No. 3278, Shuangdun Road, Huaishang District, Bengbu, Anhui Province, PRC	**55,032**(1)	Logistics Facilities	Yes	167	**230**
Total	**3,479,620**			17,706	**17,890**

Note:

(1) As recorded in the real property ownership certificate obtained as at 31 December 2021.

The following table sets forth a summary of all the Group's completed and pre-stabilized projects as at 31 December 2021, together with the valuation of such projects:

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Jinan Yuzhen Logistics Park, No. 1256, Gangyuan 6th Road, Licheng District, Jinan, Shandong Province, PRC	**127,750**[(1)]	Logistics Facilities	Yes	601	**638**
Yuyao Yupei Logistics Park, Sino-Italy Ningbo Ecological Park, Yuyao, Zhejiang Province, PRC	**164,683**[(1)]	Logistics Facilities	Yes	448	**709**
Nanning Yupei Logistics Park, South of Youyi Road and East of No. 5 Road, Wuyu Town, Nanning, Guangxi Province, PRC	**70,540**	Logistics Facilities	Yes	112	**325**
Nanchang Yupei Logistics Park, West of Yanhe Road and North of Tianxiang Avenue, Nanchang Hi-tech Industrial Development Zone, Nanchang, Jiangxi Province, PRC	**116,046**	Logistics Facilities	Yes	215	**535**
Total	**479,019**			1,376	**2,207**

Note:

(1) As recorded in the real property ownership certificate obtained as at 31 December 2021.

Logistics Parks Under Development

The following table sets forth the overview of the Group's logistics parks under development as at 31 December 2021, together with the valuation of such logistics parks:

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Changshu Yupei Logistics Park, Noth of Yangguang Avenue and East of Guotai Road, Yushan New & High-tech Industrial Development Zone, Changshu, Jiangsu Province, PRC	**68,168**	Logistics Facilities	Yes	—	**133**
Jinan Yupei Logistics Park, Cuizhai Town, Jiyang District, Jinan, Shandong Province, PRC	**104,280**	Logistics Facilities	Yes	—	**96**
Shijiazhuang Yupei Logistics Park, Gaocheng District, Shijiazhuang, Hebei Province, PRC	**70,914**	Logistics Facilities	Yes	—	**86**
Yupei Wuhan Yuzhen Logistics Park South of Quangang North Street, East of Guangdianyuan First Road, North of Quangang street, West of Guandianyuan Second Road, Wuhan East Lake High-tech Development Zone, Jiangxia District, Wuhan, Hubei Province, PRC	**90,587**	Logistics Facilities	Yes	—	**72**
Yupei Zhangzhou Logistics Park, Southeast of the intersection of the new G324 Road and Putou Road, Zhangzhou Tai Shang Investment Zone, Zhangzhou, Fujian Province, PRC	**71,427**	Logistics Facilities	Yes	—	**88**
Total	**405,376**			—	**475**

Land Held for Future Development

The table below sets forth the overview of the Group's land held for future development as at 31 December 2021, together with the valuation of such projects:

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Shanghai Yupei Qingyang Logistics Park, East of Waiqingsong Highway, Qingpu District, Shanghai, PRC	67,593	Logistics Facilities	Yes	253	120
Shanghai Yuzai Logistics Park, Xuanqiao Town, Nanhui Industrial Zone, Pudong New District, Shanghai, PRC	108,599	Logistics Facilities	Yes	397	412
Shanghai Yupei Jinshan Logistics Park, Southwestern corner of Rongdong Road and Rongtian Road, Jinshan District, Shanghai, PRC	72,171	Logistics Facilities	Yes	220	230
Shanghai Yuji Logistics Park, No. 99 Jiangong Road, Fengjing Town, Jinshan District, Shanghai, PRC	103,832	Logistics Facilities	Yes	337	346
Qingpu Yuji Logistics Park, No. 5508, Waiqingsong Highway, Qingpu District, Shanghai, PRC	301,894	Logistics Facilities	Yes	–	1,179
Total	654,089			1,207	2,287

Industry Overview

Macroeconomic Situation

In 2021, the world economy experienced the combined effects of the spread of the global pandemic, uneven economic recovery around the world, the flood of liquidity in developed economies, and the sharp rise in commodity prices. At the same time, China's economic development faced the triple pressure arising from demand contraction, supply shocks and weakening expectations. In the third quarter, the development of the industrial economy faced great downward pressure due to the impacts of the pandemic and soaring raw material costs and a sharp slowdown in the real estate industry. The impact on the manufacturing industry was more obvious compared with the non-manufacturing industry that was stable throughout the year. In October, China's official manufacturing Purchasing Managers Index (PMI) fell to 49.2, which is the lowest level since the outbreak of the novel Coronavirus pandemic in February 2020. The new order index, raw materials and inventory index, etc., are all below the breakthrough point. The downward pressure on the manufacturing industry has attracted great attention from the central government who has issued a series of policies accordingly. From the perspective of the overall situation, the momentum of recovery has been maintained at the end — China's gross domestic product ("**GDP**") reached RMB114 trillion, an increase of 8.1%, according to official statistics.

Logistics Industry

In the past few years, China has continuously strengthened the construction of logistics infrastructure, vigorously developed e-commerce, and smoothed the flow of commercial goods. Therefore, the logistics industry has made positive progress in reducing costs and increasing efficiency. China has a huge domestic demand with its 1.4 billion population and thereby has significant advantages with the hyperscale market. There are more than 400 million middle-income groups, more than 100 million market participants and more than 170 million talents with higher education or various professional skills. It has achieved GDP per capita exceeding US$12,000, with an urbanization rate of over 60%, and is the hyperscale consumer market with the most potential in the world. The quarantine at home due to the novel coronavirus pandemic has greatly stimulated online retail sales, while pandemic control has allowed Chinese enterprises to undertake more manufacturing orders. The demand for warehousing from e-commerce, third-party logistics and manufacturing has also increased significantly. Policy support and strong market demand have enabled the logistics property industry to demonstrate good anti-cycle resilience.

Logistics Property Industry

With the adjustment of China's economic structure and the reform of the circulation system, the formation of a large domestic market is accelerating, and the logistics property will also face the developmental situation of transformation and upgrading. The novel coronavirus pandemic has set higher requirements on the efficiency of logistics services, and traditional logistics property developers are confronted with transformation and upgrading. Logistics property enterprises are moving towards the 2.0 era of expansion into fields such as supply chain finance and intelligent supply chain. The structure of logistics assets was further optimized, and premium assets in higher-tier cities were sought after by the market players. The national "14th Five-Year" Plan expressly proposes to build a modern logistics system and related infrastructure, and strengthen the supporting role of the circulation system. The financing of logistics facilities is diversified, and domestic public real estate investment trusts ("**REITs**") is the pioneer to carry out pilot projects in the field of infrastructure. The establishment of public infrastructure REITs will allow the logistics property, a "pioneer" of pilot issue, to explore a new blue ocean.

Outlook

Economic Situation

The global pandemic is still ongoing while local pandemic occurs in China from time to time. The world economy lacks momentum for recovery, commodity prices fluctuate at a high level, and the external situation becomes more complex, severe and uncertain. However, from the perspective of the logistics industry, the market demand is strong, and the stable consumption demand promotes the expansion of logistics tenants. The new model sectors represented by fresh food e-commerce and community group buying drive the increasingly diversified demand for product distribution. Traditional retail demand is also recovering steadily. At the same time, the increasing demand for fresh food and pharmaceutical retailers due to the pandemic has driven the demand for cold chain and cold storage, and also the demand for pharmaceutical logistics and warehousing. According to a survey conducted by CBRE on China's large and medium-sized warehousing and logistics tenants in the second half of 2021, 70% of the tenants expected that the logistics and warehousing portfolio will increase in the next three years, and e-commerce and third-party logistics are the most willing to expand.

Policy

On one hand, the government's policy guidance for the development of the warehousing and logistics industry is more explicit. From the end of last year to the beginning of this year, policy documents such as the "14th Five-Year Plan for Cold Chain Logistics Development", "14th Five-Year Plan for Modern Circulation System Construction" and "14th Five-Year Special Plan for Air Logistics Development" were successively issued, and the "14th Five-Year" plans for modern logistics development were also published by provincial-level governments, which will provide explicit guidance for the Group's business layout. On the other hand, in order to cope with the downward pressure on the economy and prevent the economic ups and downs, the government will support entities, special bonds of local governments, and stimulate the operation of the industrial economy, reduce taxes and fees, and financially support small and medium-sized enterprises. These policies will become effective this year, boosting the economy and logistics demand in the manufacturing and consumer sectors.

Business Outlook

We believe that logistics plays a cornerstone role in China's economy as it transitions from high-speed growth to high-quality development.

In 2022, the Group will cooperate deeply with JD.com to improve investment efficiency, engineering efficiency and business promotion efficiency through the powerful technology and service capabilities of its ecological network. On one hand, as a leading logistics facility provider in China, the Group will provide customers with premium logistics warehousing and park services, promote the upgrading of the logistics industry from traditional commercial and trade circulation logistics to comprehensive supply chain management services, development and construction, investment asset management, integrated energy management and other comprehensive services. On the other hand, it will rely on new digital infrastructure to improve efficiency, realize technological empowerment, optimize logistics costs, and enhance the competitiveness of rent-out. Leveraging our enterprise digitalization capabilities induced by intelligent logistics and warehousing, we will accelerate the layout construction of the logistics infrastructure of "road+hub+network" and help build multi-level, three-dimensional and full-coverage logistics infrastructures including national logistics hubs, regional logistics parks, urban distribution centers as well as urban and rural terminal outlets. We will create value for the sustainable development of the company by developing a sound cycle of industrial ecology.

ACKNOWLEDGEMENT

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

Hu Wei
Chairman of the Board
Hong Kong, 31 March 2022

Management Discussion and Analysis

The following table is a summary of the Group's consolidated annual results for the year ended 31 December 2021 (the "**Reporting Period**") with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from the year ended 31 December 2020 to the year ended 31 December 2021:

	For the year ended 31 December				Year-on-Year
	2021		2020		Change
	RMB'000	%	RMB'000	%	%
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**905,035**	**100.0**	798,637	100.0	13.3
Cost of sales	**(229,830)**	**(25.4)**	(180,380)	(22.6)	27.4
Gross profit	**675,205**	**74.6**	618,257	77.4	9.2
Selling and marketing expenses	**(42,263)**	**(4.7)**	(34,574)	(4.3)	22.2
Administrative expenses	**(153,626)**	**(17.0)**	(117,011)	(14.7)	31.3
Net impairment losses on financial assets	**(5,577)**	**(0.6)**	(1,532)	(0.2)	264.0
Other income	**22,682**	**2.5**	27,439	3.4	(17.3)
Fair value gains on investment properties — net	**163,740**	**18.1**	678,559	85.0	(75.9)
Fair value gains/(losses) on convertible bonds — net	**153,914**	**17.0**	(802,092)	(100.4)	(119.2)
Fair value losses on financial liabilities at FVPL	**(87,055)**	**(9.6)**	—	—	—
Other net gains	**153,956**	**17.0**	429,043	53.7	(64.1)
Operating profit	**880,976**	**97.3**	798,089	99.9	10.4
Finance income	**24,646**	**2.7**	35,717	4.5	(31.0)
Finance costs	**(417,115)**	**(46.1)**	(488,302)	(61.1)	(14.6)
Finance expenses — net	**(392,469)**	**(43.4)**	(452,585)	(56.7)	(13.3)
Share of (losses)/profits of investments accounted for using the equity method	**(229,502)**	**(25.4)**	9,920	1.2	(2,413.5)
Profit before income tax	**259,005**	**28.6**	355,424	44.5	(27.1)
Income tax expense	**(233,218)**	**(25.8)**	(288,804)	(36.2)	(19.2)
Profit for the year	**25,787**	**2.8**	66,620	8.3	(61.3)

	For the year ended 31 December				Year-on-Year
	2021		2020		Change
	RMB'000	%	RMB'000	%	%
(Loss)/Profit for the year attributable to:					
Owners of the Company	**(2,813)**	**(0.3)**	22,835	2.9	(112.3)
Non-controlling interests	**28,600**	**3.2**	43,785	5.5	(34.7)
	25,787	**2.8**	66,620	8.3	(61.3)
Other comprehensive income for the year, net of tax					
Items that will not be reclassified to profit or loss:					
Change in fair value of convertible bonds from own credit risk	**(92,354)**	**(10.2)**	—	—	—
Items that are or may be reclassified subsequently to profit or loss:					
Currency translation differences	**203**	**0.0**	(132,167)	(16.5)	(100.2)
	(92,151)	**(10.2)**	(132,167)	(16.5)	(30.3)
Total comprehensive income for the year	**(66,364)**	**(7.3)**	(65,547)	(8.2)	1.2
Total comprehensive income for the year attributable to:					
Owners of the Company	**(94,964)**	**(10.5)**	(109,332)	(13.7)	(13.1)
Non-controlling interests	**28,600**	**3.2**	43,785	5.5	(34.7)
	(66,364)	**(7.3)**	(65,547)	(8.2)	1.2
(Losses)/Earnings per share for (loss)/ profit attributable to owners of the Company (expressed in RMB)					
Basic	**(0.0008)**		0.0070		
Diluted	**(0.0396)**		0.0070		

Revenue

The Group's revenue increased by 13.3% from RMB798.6 million in 2020 to RMB905.0 million in 2021, primarily attributable to (i) an increase in the number of the Group's logistics parks in operation and therefore the total GFA in operation, which is a part of the Group's nationwide expansion plan; (ii) an increase of average occupancy of logistics parks; and (iii) an increase in the average unit rental.

Cost of Sales

The Group's cost of sales increased by 27.4% from RMB180.4 million in 2020 to RMB229.8 million in 2021, 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 22.6% in 2020 to 25.4% in 2021. The increase was primarily attributable to (i) the increase of property tax and other charges, which is in line with the Group's business growth and expansion; and (ii) part of accelerated depreciation of fitting-ups of property arising from early termination of lease.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 9.2% from RMB618.3 million in 2020 to RMB675.2 million in 2021, and the Group's gross profit margin decreased from 77.4% in 2020 to 74.6% in 2021, which is primarily attributable to the increase of operation cost.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 22.2% from RMB34.6 million in 2020 to RMB42.3 million in 2021, primarily due to the expansion of the Group's in-house sales and marketing team with the increased operation scale. As a percentage of the Group's revenue, selling and marketing expenses increased from 4.3% in 2020 to 4.7% in 2021, primarily due to the increase in social insurance expenses as relevant social insurance reduction policy that was available in 2020 was not available in 2021.

Administrative Expenses

The Group's administrative expenses increased by 31.3% from RMB117.0 million in 2020 to RMB153.6 million in 2021. As a percentage of the Group's revenue, administrative expenses increased from 14.7% in 2020 to 17.0% in 2021. The increase was primarily attributable to part of the accelerated depreciation arising from early termination of lease.

Net Impairment Losses on Financial Assets

The Group recorded net impairment losses on financial assets of RMB5.6 million for the Reporting Period, mainly attributable to prudent accrual for impairment of long-aged receivables with lessee and other receivables for deposits. The Group recognised net impairment losses of RMB1.5 million on financial assets for the year of 2020.

Other Income

The Group's other income decreased by 17.3% from RMB27.4 million in 2020 to RMB22.7 million in 2021, primarily due to the decrease of the government grants received by the Group from the local government authority.

Fair Value Gains on Investment Properties — Net

The Group's net fair value gains on investment properties decreased by 75.9% from RMB678.6 million in 2020 to RMB163.7 million in 2021, primarily attributable to (i) the slowdown of project development progress, resulting in the overall decrease in the fair value gains on the projects under development; and (ii) market stability of the operating logistics parks in 2021.

Fair Value Gains/(Losses) on Convertible Bonds — Net

The Group's fair value gains on convertible bonds amounted to RMB153.9 million in 2021 as compared with fair value losses on convertible bonds of RMB802.1 million in 2020, which is primarily attributable to a continuous rise in Group's share price in 2020, which increased the fair value of the convertible bonds in 2020 compared to a decrease in the fair value of convertible bonds in 2021. The fair value losses on convertible bonds is a non-cash charge, and it does not affect the Group's liquidity. The changes in fair value will be gradually reflected in the equity attributable to owners of the Company through equity and premium or retained earnings on or before the maturity of convertible bonds.

Fair Value Losses on Financial Liabilities at FVPL

The Group's fair value losses on financial liabilities at fair value through profit or loss amounted to RMB87.1 million in 2021, primarily attributable to the call option agreement that the Group's subsidiary entered into with a related party of the Group and the derivatives embedded in the financing arrangement that were offered by ACRE Magnolia Pte. Ltd ("**ACRE**").

Other Net Gains

The Group's other net gains amounted to RMB154.0 million in 2021 as compared with other net gains of RMB429.0 million in 2020, which is mainly due to the net effect of (i) the decrease in exchange gains as net receivables of the Company are denominated in Renminbi while functional currency of the Company is Hong Kong dollars; and (ii) gains from lease modification due to the reassessment of reasonable certain lease period of the office premises leased from a related party.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 10.4% from RMB798.1 million in 2020 to RMB881.0 million in 2021. Excluding the impact of fair value gains/(losses) on convertible bonds, the operating profit for the Reporting Period was RMB727.1 million which decreased by 54.6% when compared to the operating profit excluding the impact of fair value losses on convertible bonds in 2020. As a percentage of the Group's revenue, the Group's operating profit decreased from 99.9% in 2020 to 97.3% in 2021.

Finance Income

The Group's finance income decreased by 31.0% from RMB35.7 million in 2020 to RMB24.6 million in 2021, primarily due to the decrease in interest income on the Group's bank deposits.

Finance Costs

The Group's finance costs decreased by 14.6% from RMB488.3 million in 2020 to RMB417.1 million in 2021, primarily due to the decrease in interest expense on the Group's outstanding borrowings.

Income Tax Expense

The Group's income tax expense decreased by 19.2% from RMB288.8 million in 2020 to RMB233.2 million in 2021, primarily as a result of the decrease in net fair value gains on investment properties, which has reduced the deferred income tax expense. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, increased from 81.3% in 2020 to 90.0% in 2021, primarily due to the increase of tax losses for which deferred tax asset was not recognised.

Profit for the Year

As a result of the foregoing, the Group's profit of the year decreased by 61.3% from RMB66.6 million in 2020 to RMB25.8 million in 2021. The Group's profit for the year attributable to the owners of the Company decreased by 112.3% from RMB22.8 million in 2020 to a loss of RMB2.8 million in 2021.

Non-IFRSs Measure

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

Core Net Profit

The Group defines its core net profit as its adjusted EBITDA, which consists of profit for the year, adding back our interest expense on borrowings, other losses, net exchange losses, income tax expense, amortisation expenses, depreciation charge, and fair value losses on financial liabilities at FVPL, further adjusted to deduct our other income, fair value gains on investment properties — net, fair value gains on convertible bonds — net and other gains, 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 RMB510.4 million in 2020 to RMB576.6 million in 2021. The increase was primarily due to the 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 remained relatively stable in 2021 at 63.7% as compared with 63.9% in 2020.

Liquidity and Capital Resources

In 2021, the Group financed its operations primarily through cash from the Group's operations, borrowings from banks, financial institutions and other third parties and the issuance of senior notes, convertible bonds, asset-backed medium-term notes ("**ABN**") and commercial mortgage backed securities ("**CMBS**"). The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth and borrowings.

Cash and cash equivalents

As at 31 December 2021, the Group had cash and cash equivalents of RMB610.5 million (31 December 2020: RMB1,033.4 million), which primarily consisted of cash at bank and on hand that were mainly denominated in Renminbi (as to 89.1%), U.S. dollars (as to 10.5%), and Hong Kong dollars (as to 0.4%).

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

Indebtedness

(a) Borrowings

As at 31 December 2021, the Group's total outstanding borrowings amounted to RMB8,823.9 million. The Group's borrowings were denominated in Renminbi (as to 74.3%) and U.S. dollars (as to 25.7%). The following table sets forth a breakdown of the Group's current and non-current borrowings as at the dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets	**4,106,058**	3,321,126
— secured by assets and equity interest of certain subsidiaries	**860,839**	1,387,676
Senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**963,667**	1,066,083
Long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries	**717,277**	350,070
ABN		
— secured by assets	**448,229**	448,160
CMBS		
— secured by assets	**480,620**	477,840
Long-term borrowings from third parties		
— secured by equity interest of a certain subsidiary	**1,197,654**	—
Less: Long-term bank borrowings due within one year	**(837,659)**	(675,074)
Long-term borrowings from other financial institutions due within one year	**(112,372)**	(72,521)
Senior notes due within one year	**(963,667)**	(91,912)
ABN due within one year	**(694)**	(415)
CMBS due within one year	**(661)**	—
	6,859,291	6,211,033

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Short-term bank borrowings		
— unsecured	**49,596**	50,000
Current portion of long-term bank borrowings		
— secured by assets	**701,744**	544,378
— secured by assets and equity interest of certain subsidiaries	**135,915**	130,696
Current portion of senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**963,667**	91,912
Current portion of long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries	**112,372**	72,521
Current portion of ABN		
— secured by assets	**694**	415
Current portion of CMBS		
— secured by assets	**661**	—
	1,964,649	889,922
Total borrowings	**8,823,940**	7,100,955

The Group's total outstanding borrowings amounted to RMB8,823.9 million and RMB7,101.0 million as at 31 December 2021 and 2020, respectively. The increase in the Group's total borrowings was primarily due to the increase in third parties borrowing in 2021.

As at 31 December 2021, the Group's borrowings of RMB4,152.5 million (31 December 2020: RMB3,467.3 million) bore fixed interest rates and the remaining borrowings bear floating interest rates. The weighted average effective interest rates of the Group's borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that were outstanding during the period, for the year ended 31 December 2020 and 2021 were as follows:

	As at 31 December	
	2021	2020
RMB	**5.5%**	5.9%
US$	**9.2%**	11.2%

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within one year	**1,964,649**	889,922
Between one and two years	**638,739**	2,009,408
Between two and five years	**3,410,131**	1,713,998
Over five years	**2,810,421**	2,487,627
Total Borrowings	**8,823,940**	7,100,955

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Floating rate:		
Expiring beyond one year	**267,516**	717,978
Fixed rate:		
Expiring over one year	**–**	40,700
	267,516	758,678

Convertible Bonds

2019 Convertible Bonds

In June 2019, the Company successfully issued convertible bonds with an aggregate principal amount of HK$1,109,000,000 at the rate of 6.95% due 2024 (the "**2019 Convertible Bonds**").

The initial conversion price of the 2019 Convertible Bonds was HK$3.19 and was adjusted to HK$3.15 with effect from 17 June 2021 following completion of the placing of an aggregate of 220,000,000 new ordinary shares of the Company on 17 June 2021 (the "**Placing**"). Assuming full conversion of the outstanding 2019 Convertible Bonds, the total number of shares issuable by the Company would be 337,460,317 shares as at 31 December 2021. The conversion price of the 2019 Convertible Bonds was further adjusted to HK$3.00 per share as a result of a "Change of Control" (as defined in the terms and conditions of the 2019 Convertible Bonds) of the Company on 28 January 2022. Please refer to the section headed "Subsequent Events" of this report for details.

On 2 December 2021, the Company commenced the solicitation from the holders of 2019 Convertible Bonds to seek their consent to approve certain amendments and waivers in order to amend or waive certain terms and conditions of the trust deed dated 26 June 2019 constituting the 2019 Convertible Bonds to give the Company the flexibility to redeem some or all of the 2019 Convertible Bonds following completion of the Offers. The proposed amendments and waivers were subject to, among others, the approval of the extraordinary resolution of the holders of 2019 Convertible Bonds to approve the supplemental trust deed (incorporating the proposed amendments), the proposed amendments and proposed waivers (the "**Extraordinary Resolution**"). The Extraordinary Resolution was approved by holders of 100% (that is, no less than 75%) of the votes cast at the meeting held on 23 December 2021 in favour of the Extraordinary Resolution.

Following the passing of the Extraordinary Resolution, the Company has entered into the supplemental trust deed (incorporating the proposed amendments) with the subsidiary guarantors, the trustee and the security trustee on 23 December 2021, and the proposed amendments and waivers became effective on 23 December 2021. The supplemental trust deed and the proposed amendments incorporated therein will become operative on the seventh business day after the closing date of the Convertible Bond Offer, but once operative will have effect as of 23 December 2021. If the closing date of the Convertible Bond Offer has not occurred on or prior to 30 September 2022, (a) the supplemental trust deed and the proposed amendments incorporated therein will terminate with effect from and including the date of the required officers' certificate and be of no force or effect, and (b) the proposed waivers will cease to be effective from and including the date of such officers' certificate and shall be of no force or effect. As of the date of this report, the Convertible Bond Offer remains open.

For further details, please refer to the announcements of the Company dated 2 December 2021 and 23 December 2021.

2020 Convertible Bonds

In November 2020, the Company successfully issued convertible bonds with an aggregate principal amount of HK$775,050,000 at the rate of 6.95% due 2025 (the "**2020 Convertible Bonds**"). The initial conversion price of the 2020 Convertible Bonds was HK$3.19 and was adjusted to HK$3.15 with effect from 17 June 2021 following completion of the Placing. Assuming full conversion of the outstanding 2020 Convertible Bonds, the total number of shares issuable by the Company would be 246,047,619 shares as at 31 December 2021. The conversion price of the 2020 Convertible Bonds was further adjusted to HK$3.09 per share as a result of a "Change of Control" (as defined in the terms and conditions of the 2020 Convertible Bonds) of the Company on 28 January 2022. Please refer to the section headed "Subsequent Events" of this report for details.

Gearing ratio

The Group's gearing ratio is calculated by dividing (i) the Group's total borrowings, convertible bonds and lease liabilities less cash and cash equivalents and restricted cash, being the Group's net debt, by (ii) the sum of net debt and the Group's total equity, being the Group's total capital. As at 31 December 2021 and 2020, the Group's gearing ratio was 45.4% and 41.6%, respectively.

Capital expenditures

The Group made payment for the capital expenditures representing the spent on the development of its logistics park projects, the acquisition of land and the acquisition of property, plant and equipment of RMB2,030.4 million in 2021. In 2020, the Group made capital expenditure of RMB1,606.2 million. The Group's capital expenditure in 2021 was funded primarily by cash generated from its operating activities and borrowings.

Contingent liabilities and guarantees

As at 31 December 2021, there were no significant unrecorded contingent liabilities, guarantees or litigations against the Group.

Charge on group assets

As at 31 December 2021, investment properties of the Group with a total fair value amount of RMB19,873.0 million (2020: RMB18,261.0 million) were pledged as collateral mortgaged to secure bank borrowings of the Group. See Note 7 set out in "Notes to the Consolidated Financial Information" in this report for further details.

Funding and treasury policy

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

Material acquisitions and disposals and future plans for major investment

(a) Disposal of 100% shareholding interest in Yupei Wuxi Logistics Property Management Co., Ltd. and withdrawal of limited partner from Yupei Logistics Property Fund I Limited Partnership

On 17 September 2021, Yupei Wuxi Logistics Property Management Co., Ltd. (an indirect wholly-owned subsidiary of the Company) ("**Yupei Wuxi BVI**") entered into a sale and purchase agreement ("**Wuxi Sale and Purchase Agreement**") with ACRE, pursuant to which Yupei Wuxi BVI agreed to sell and ACRE agreed to purchase 50,000 ordinary shares of Yupei Wuxi Logistics Property Development Co., Limited ("**Wuxi Target Company**"), for the total consideration of US$199,859,316 (equivalent to approximately RMB1.289 billion), subject to adjustment. The completion of the Wuxi Sale and Purchase Agreement took place on 5 October 2021 and the total consideration after taking into account adjustments is RMB1.3 billion (the "**Wuxi Consideration**"). For further details, please refer to the announcements of the Company dated 17 September 2021, 8 October 2021 and 19 November 2021.

On 5 October 2021, Yupei Logistics Property Fund I Limited Partnership (the "**Fund**"), Yupei Logistics Property Management 22 Co., Ltd. ("**Yupei LP**") and Elegant Fragrant Limited ("**ICBCI LP**", a limited partner then holding 49% interests in the Fund) entered into a withdrawal deed. Pursuant to the withdrawal deed, ICBCI LP applied for a voluntary withdrawal from the Fund as a limited partner and an amount of up to RMB929 million shall be paid to ICBCI LP on or around the date of the execution of the withdrawal deed (the "**Withdrawal**"). For details of the Fund, please refer to the announcement of the Company dated 21 December 2018.

As an ancillary action to complete the Withdrawal and being another back-to-back arrangement, Yupei Logistics Property Investment I Co., Ltd. ("**Yupei Investment**") entered into a sale and purchase agreement with Achiever Edge Limited to purchase 50% of the issued share capital of Yupei Logistics Property Fund Management I Co., Ltd. (the general partner of the Fund, the "**General Partner**") held by it (the "**Purchase**"). Completion of the Purchase took place on 5 October 2021.

Upon completion of the Purchase, the General Partner became an indirect wholly-owned subsidiary of the Company. Upon completion of the Withdrawal, ICBCI LP ceased to be a limited partner of the Fund. Therefore, the Company holds the entire interests in the Fund after the Withdrawal and the Purchase. Following the completion of the Wuxi Sale and Purchase Agreement, the Withdrawal and the Purchase, the Company, via the Fund, no longer hold any interest in the Wuxi Target Company and its subsidiary, Wuxi Yupei Warehousing Development Co., Ltd.. For further details, please refer to the announcements of the Company dated 17 September 2021, 8 October 2021, 19 November 2021 and 19 December 2021.

(b) **Options and guarantee deed**

On 22 November 2021, the Company and Yupei Wuxi BVI entered into an options and guarantee deed with ACRE, pursuant to which Yupei Wuxi BVI has granted to ACRE the right to require Yupei Wuxi BVI to purchase the entire issued share capital of Wuxi Target Company (the "**Option Shares**") at the put option premium of US$1.0 and at the put option price of 115% of the Wuxi Consideration and ACRE has granted to Yupei Wuxi BVI the right to require the ACRE to sell to Yupei Wuxi BVI the Option Shares at the call option premium of 2.75% of the Wuxi Consideration payable semi-annually and at the call option price of 117.5% of the Wuxi Consideration. For further details, please refer to the announcement of the Company dated 22 November 2021.

During the Reporting Period, save as disclosed 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.

Human resources

As at 31 December 2021, the Group had a total of 194 employees. The Group has established comprehensive training programs to support and encourage its employees and continued to organize on-the-job training on a regular basis to employees from members of its management team to newly hired employees to improve their relevant skills at work. The Group offers competitive remuneration package which includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group's employee benefit expenses include salaries, benefits and other compensations paid to all of its employees.

In 2021, the total employee benefit expenses of the Group (including salaries, wages, bonuses, pension, housing fund, medical insurance, other social insurance and termination benefits) amounted to RMB71.1 million, representing approximately 7.9% of the total revenue of the Group.

Pursuant to the Company's pre-IPO share option scheme, no options to subscribe for shares in the Company have been granted, and options to subscribe for an aggregate amount of 1,872,200 shares have lapsed. No share options remained outstanding as at 31 December 2021.

DIVIDENDS

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2021.

OBSERVANCE OF UNDERTAKING RELATING TO LEASE REGISTRATION

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

In 2021, the Group has strictly implemented the above internal control policies and measures relating to the lease registration and had strictly complied with and fulfilled the relevant undertakings provided by the Group with respect to the registration of leases for its logistics facilities, offices and registered address as more particularly described in the section headed "Business — Licenses, Regulatory Approvals and Compliance Record — Lease Registration" in the Prospectus. As a result of the Group's dedication in the rectification of non-registration of leases, as of 31 December 2021, 16 leases out of the 548 leases for the Group's logistics facilities (covering GFA of approximately 3,445,749 sq.m.) had been registered and the Group was in the process of registering the remaining 532 leases and will take all practicable steps to ensure that such leases are registered.

Biographies of the Directors, Senior Management and Secretary

DIRECTORS

Executive Directors

Mr. Hu Wei (胡偉), aged 39, was appointed as the chief executive officer of the Group on 28 January 2022 and the Chairman of the Board and an executive director of the Company on 4 February 2022. Mr. Hu obtained a bachelor's degree in management from Sichuan Agricultural University (四川農業大學) in the PRC in June 2005. Mr. Hu is currently the vice president of JD Group, the chief executive officer of JD Property Group Corporation and the chief executive officer of the Group. Mr. Hu has been a non-executive director of ESR Cayman Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1821), since February 2021. Prior to his current positions, Mr. Hu has held several positions in JD Group, including as the general manager of southwest China department and the general manager of north China department of JD Logistics, the logistic arm of JD Group, from May 2015 to November 2017 and from December 2017 to April 2019, respectively.

Mr. Li Chen (李晨), aged 40, was appointed as an executive director of the Company on 4 February 2022. Mr. Li obtained a bachelor's degree in management from Shandong Technology and Business University (山東工商學院) in the PRC in July 2003 and a master's degree in business administration from Peking University (北京大學) in the PRC in July 2015. Mr. Li is currently the vice president of JD Group and of JD Property Group Corporation. Prior to his current positions, Mr. Li worked as the logistic manager of Dell (China) Company Limited (戴爾(中國)有限公司) from 2006 to 2010.

Ms. Yang Jing (楊靜), aged 39, was appointed as an executive director of the Company on 4 February 2022. Ms. Yang obtained a master's degree in management from Xi'an Jiaotong University (西安交通大學) in the PRC in May 2008. Ms. Yang is currently the vice president of JD Group, the chief financial officer of JD Property Group Corporation and a director of certain subsidiaries of the Company. Prior to her current positions, Ms. Yang worked in the audit department of PricewaterhouseCoopers from 2008 to 2010 and served as the financial manager of Mars Food (China) Co., Ltd. (瑪氏食品(中國) 有限公司) from 2010 to 2011. In addition, Ms. Yang also served as the director of financial reporting department and the head of financial budgeting and analysis department of JD Group, from May 2011 to February 2016 and from March 2016 to June 2020, respectively. Ms. Yang has been a member of the Chinese Institute of Certified Public Accountants since November 2013.

Mr. Dai Weiwei (代偉偉) (with former name as Dai Wei (代偉)), aged 41, was appointed as an executive director of the Company on 4 February 2022. Mr. Dai obtained a bachelor's degree in business administration from Nankai University (南開大學) in the PRC in June 2003 and a master's degree in business administration from Beijing Normal University (北京師範大學) in the PRC in June 2013. Mr. Dai is currently the human resources director of JD Property Group Corporation. Prior to his current positions, Mr. Dai has held senior human resources positions at various leading multinational companies and local firms in the past 18 years, including as the human resources specialist of LG Chem (China) Investment Co., Ltd. (樂金化學(中國)投資有限公司) from 2003 to 2006, human resources partner of Lenovo Group from 2006 to 2010 and human resources associate director of Beijing Jones Lang LaSalle Property Management Service Co., Ltd. (北京仲量聯行物業管理服務有限公司) from 2010 to 2014.

Non-executive Director

Mr. Fu Bing (傅兵), aged 44, was appointed as a non-executive director of the Company on 11 May 2018, and has extensive experience in logistics and supply chain management. Mr. Fu is currently vice-president of JD.com, Inc., a leading technology-driven e-commerce company and retail infrastructure service provider in China listed on the NASDAQ (stock code: JD) and the Main Board of the Stock Exchange (stock code: 9618) and head of logistics strategy and innovative business department of JD Logistics Group, the logistics arm of JD.com, Inc.. Prior to his current positions, Mr. Fu served as a director of operations at the Sinotrans Logistics Development Co., Ltd.（中外運物流發展有限公司）from March 2005 to May 2011; and a consulting director for supply chain management at Accenture PLC（埃森哲）, a management consulting company, from May 2011 to March 2014. In addition, Mr. Fu has also been serving as vice-chairman of the China Transportation Association Intelligent Logistics Special Committee（中國交通運輸協會智能物流專委會）and China E-Commerce Logistics Industrial Alliance（中國電商物流產業聯盟）since September 2017 and December 2017, respectively; and a committee member of the Supply Chain Special Committee of the China Chain Store & Franchise Association（中國連鎖經營協會供應鏈專委會）since July 2016. Furthermore, Mr. Fu founded the online logistics technology forum, namely the "Logclub", in 2005. Mr. Fu obtained a bachelor's degree in industrial automation from the College of Information Engineering at the University of Science and Technology Beijing（北京科技大學）in the PRC in July 2000.

Independent Non-executive Directors

Ms. Zhai Xin (翟昕), aged 46, was appointed as an independent non-executive director of the Company on 4 February 2022. Mr. Zhai obtained a double bachelor's degree in machinery design and manufacture, and industrial engineering and a master's degree in mechanical manufacturing and automation from Tsinghua University (清華大學) in the PRC in July 1999 and June 2001, respectively. She also obtained a doctorate degree in operation management from Purdue University in the United States in December 2006. Ms. Zhai is currently the associate professor at Guanghua School of Management, Peking University (北京大學光華管理學院). Ms. Zhai has been a supervisor of Scenery Culture Industry Co., Ltd. (山水盛典文化產業股份有限公司) since September 2017. Prior to her current positions, Ms. Zhai served as the lecturer at Guanghua School of Management, Peking University (北京大學光華管理學院) from 2006 to 2012.

Mr. Li Wei (李偉), aged 43, was appointed as an independent non-executive director of the Company on 4 February 2022. Mr. Li obtained a bachelor's degree in accounting from Chongqing University (重慶大學) in the PRC in July 2000, a master's degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2005, and a doctorate degree in accounting from Guanghua School of Management, Peking University (北京大學光華管理學院) in the PRC in July 2012. Mr. Li is currently the professor at Beijing International Studies University (北京第二外國語學院). He was selected into the Beijing Youth Top-Notch Talent Training Program (北京青年拔尖人才培養計劃) in 2014. Mr. Li serves concurrently as a certified expert in Hainan Intellectual Property Administration (海南省知識產權局入庫專家). Prior to his current positions, Mr. Li served as the deputy director of financial department of Beijing International Studies University (北京第二外國語學院) from 2010 to 2018.

Mr. Ji Jiagen (吉家根), aged 43, was appointed as an independent non-executive director of the Company on 4 February 2022. Mr. Ji obtained a bachelor's degree in accounting from Jiangxi University of Technology (江西科技學院) in the PRC in July 2019. Mr. Ji is currently the director partner of Suqian Ruiyuan Certified Public Accountants (宿遷瑞元會計師事務所 (普通合夥)). Prior to his current position, Mr. Ji served as the project manager at former Suqian Sucheng Audit Firm (宿遷市宿城區審計事務所) from October 1997 to December 1999 and deputy director of Suqian Xinde League Certified Public Accountants (宿遷信德聯合會計師事務所 (普通合夥)) from January 2000 to February 2016. Mr. Ji has been a member of the Chinese Institute of Certified Public Accountants since July 2004.

COMPANY SECRETARY

Ms. So Ka Man (蘇嘉敏), aged 48, was appointed as the company secretary on 10 March 2016. She is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. So is a chartered secretary and a fellow of both The Hong Kong Chartered Governance Institute ("**HKCGI**") (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKCGI. Ms. So obtained a bachelor's degree in arts (accountancy) from the Hong Kong Polytechnic University in November 1996. Apart from the Company, Ms. So has been providing professional secretarial services to a number of listed companies.

Directors' Report

The Board of Directors of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the leasing of storage facilities and the related management services in the PRC.

BUSINESS REVIEW

As of 31 December 2021, the Company had 190 logistics facilities in operation in 41 logistics parks, located in logistics hubs in 21 provinces or centrally administered municipalities.

Performance of the Group's Business

As demands from tenants in e-commerce and third-party logistics providers industries continued to increase, the Group expanded its network of logistics facilities to cope with such demand and thereby grew its revenue by 13.3% from RMB798.6 million in 2020 to RMB905.0 million in 2021. The Group's gross profit increased from RMB618.3 million in 2020 to RMB675.2 million in 2021. As of 31 December 2021, the Group recorded a net current liabilities of RMB1,865.7 million as compared with a net current assets of RMB301.6 million recorded as of 31 December 2020.

Relationship with Tenants

Having consistently delivered high-quality services to its tenants for more than a decade, the Group has forged strong relationships with a large number of top tier domestic and foreign tenants with a variety of industry backgrounds, including e-commerce companies such as JD, Meituan and Pinduoduo, leading third-party logistics providers such as SF Express, DTW Warehouse, Baishi Logistics, Yunda and Sinotrans and large-scale retailers, manufacturers and others such as Biyoute and Chinese imported cars manufacturers.

The Group generates a significant portion of its revenue from its five largest tenants. During the year ended 31 December 2021, revenue generated from the Group's single largest tenant accounted for approximately 23.8% of its total revenue while revenue attributable to its five largest tenants accounted for approximately 40.3% of its total revenue for the same period.

Relationship with Contractors

The Group's largest suppliers are the construction contractors for its logistics parks. As the Group selects contractors on a project basis, it does not rely on any single contractor despite the relatively high contribution of its largest or five largest contractors which accounted for approximately 46.5% and 85.4% to its construction cost incurred during the year ended 31 December 2021, respectively.

Relationship with Employees

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

Environmental Policy

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

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

Further details of the Group's environmental, social and governance ("**ESG**") matters are set out in the ESG Report on pages 76 to 105 of this annual report.

Licenses, Regulatory Approvals and Compliance Record

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

Principal Risks and Uncertainties

Principal risks and uncertainties the Group faces include:

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

Subsequent Events

On 1 September 2021 (after trading hours), JD Property Group Corporation (the "**Offeror**") entered into a sale and purchase agreement with Mr. Li Shifa and Yupei International Investment Management Co., Ltd ("**Yupei International**"), pursuant to which Yupei International has conditionally agreed to sell, and the Offeror has conditionally agreed to acquire, 916,488,000 Shares, which represents approximately 26.38% of the issued share capital of the Company (the "**Sale Share**") (being all the Shares in which Yupei International has a beneficial interest) at the purchase price of HK$4.35 per Sale Share, for a total cash consideration of HK$3,986,722,800 (the "**Sale and Purchase Agreement**").

Completion of the Sale and Purchase Agreement took place on 28 January 2022 in accordance with the terms of the Sale and Purchase Agreement. Upon completion of the Sale and Purchase Agreement, the Offeror and parties acting in concert with it became interested in 1,286,011,999 Shares, representing approximately 37.02% of the issued share capital of the Company.

Following completion of the Sale and Purchase Agreement, (i) Mr. Hu Wei, Mr. Li Chen, Ms. Yang Jing and Mr. Dai Weiwei have been appointed as executive Directors with effect from 4 February 2022; (ii) Ms. Zhai Xin, Mr. Li Wei and Mr. Ji Jiagen have been appointed as independent non-executive Directors with effect from 4 February 2022; (iii) Mr. Li Shifa, Mr. Wu Guolin, Ms. Li Huifang, Ms. Shi Lianghua, Mr. Xie Xiangdong and Mr. Wu Guozhou (the "**Redesignated Directors**") have been re-designated from executive Directors to non-executive Directors with effect from 4 February 2022, and each of the Redesignated Directors have resigned with effect from 1 March 2022; (iv) Ms. Li Qing resigned as a non-executive Director with effect from 1 March 2022; and (v) Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin have resigned as independent non-executive Directors with effect from 1 March 2022.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"), the Offeror made a mandatory conditional cash offers to acquire all the issued Shares (the "**Share Offer**") and all the outstanding convertible bonds (the "**Convertible Bond Offer**", together with the Share Offer, the "**Offers**") of the Company (other than those already owned or agreed to be acquired by the offeror and/or parties acting in concert with it). As of the date of this report, the Offers remain open. As of 25 March 2022, the Offeror and parties acting in concert with it held: (i) 2,785,195,804 Shares, representing approximately 80.17% of the issued share capital of the Company; (ii) an aggregate principal amount of HK$1,063,000,000 of the 2019 Convertible Bonds, representing 100% of the aggregate outstanding principal amount of HK$1,063,000,000 as at the date of this report; and (iii) an aggregate principal amount of HK$775,050,000 of the 2020 Convertible Bonds, representing 100% of the aggregate outstanding principal amount of HK$775,050,000 as at the date of this report.

The conversion prices of the 2019 Convertible Bonds and the 2020 Convertible Bonds are subject to adjustment as a result of a "Change of Control" (as defined in the terms and conditions of the 2019 Convertible Bonds and the 2020 Convertible Bonds) of the Company. The "Change of Control" of the Company took place upon Completion on 28 January 2022. Subsequently, the conversion price of the 2019 Convertible Bonds and 2020 Convertible Bonds was adjusted to HK$3.00 and HK$3.09, respectively, with effect from 28 January 2022. Assuming full conversion of the outstanding 2019 Convertible Bonds and 2020 Convertible Bonds, the total number of shares issuable by the Company would be 354,333,333 shares and 250,825,242 shares, respectively.

For further details of the Sale and Purchase Agreement and the Offers, please refer to the announcements of the Company dated 3 September 2021, 17 September 2021, 3 October 2021, 20 October 2021, 19 November 2021, 19 December 2021, 3 January 2022, 24 January 2022, 28 January 2022, 4 February 2022, 8 February 2022, 25 February 2022, 11 March 2022, 25 March 2022 and 31 March 2022, and the composite document jointly issued by the Company and the Offeror dated 4 February 2022.

On 25 February 2022, the Company offered to purchase for cash (the "**Notes Offer**") any and all of its outstanding 8.75% senior notes (the "**Notes**") due 2022 from holders or beneficial owners of the Notes, pursuant to the change of control tender offer memorandum dated 25 February 2022 (the "**Change of Control Tender Offer Memorandum**"). The Notes Offer closed on 25 March 2022. Following the close of the Notes Offer, the Company had received tenders in respect of US$150,000,000 in aggregate principal amount of the Notes, representing 100% of the aggregate principal amount of the Notes that are presently outstanding. The Company has decided to accept the Notes in the aggregate principal amount of US$150,000,000 for purchase for total consideration of US$156,276,041.67 pursuant to the terms and conditions described in the Change of Control Tender Offer Memorandum.

For further details of the Notes and the Notes Offer, please refer to announcements of the Company dated 16 November 2020, 18 November 2020, 25 February 2022 and 28 March 2022.

Save as disclosed above, there are no material events subsequent to 31 December 2021 which could have a material impact on our operating and financial performance as of the date of this report.

Outlook for 2022

In 2022, the Group will continue its effort to achieve its goal of becoming the largest provider of premium logistics facilities in China. In particular, the Group plans to continue to implement the following strategies: (i) strengthen its nationwide network across major logistics hubs, (ii) accelerate its lease-up cycle and optimize its tenant portfolio, (iii) diversify its sources of capital and lower cost of capital, (iv) attract, motivate and cultivate management talent and personnel to support its operations and future expansions, and (v) reduce the environmental impact of its operations.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's financial affairs as of that date are set out in the consolidated financial statements on pages 111 to 248.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") in accordance with the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), which sets out principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company, and the factors that should be taken into account in determining any dividend for distribution to the shareholders of the Company. The CG Code has been subsequently revised and renamed as the "Corporate Governance Code" with effect from 1 January 2022. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company (the "**Articles**") and all applicable laws and regulations and the factors set out below. The Company does not have any pre-determined dividend payout ratio. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends: (i) financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) capital requirements and expenditure plans; (vi) interests of shareholders; (vii) any restrictions on payment of dividends; and (viii) any other factors that the Board may consider relevant. The Board will review the Dividend Policy as appropriate from time to time.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to the shareholders of the Company for the year ended 31 December 2021.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2021 are set out in Note 41 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL AND THE PRE-IPO SHARE OPTION SCHEME

Details of the Company's share capital and pre-IPO share option scheme are set out in Notes 16 and 19 to the consolidated financial statements and the section headed "Pre-IPO Share Option Scheme" below, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as of 31 December 2021 are set out in Note 36 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year ended 31 December 2021 amounted to RMB203,000.

FINANCIAL SUMMARY

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

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

There was no purchase, sale or redemption of any of the listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2021.

PRE-IPO SHARE OPTION SCHEME

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

As at the date of this annual report, options to subscribe for an aggregate of 15,824,000 Shares (the "**Pre-IPO Options**", representing approximately 0.46% 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 or can be granted under the Pre-IPO Share Option Scheme after the listing of the Company on 15 July 2016 (the "**Listing Date**").

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

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

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

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

The maximum number of shares of the Company which may be issued upon the exercise of all options to be granted under the Pre-IPO Share Option Scheme must not exceed 1% of the Company's total issued share capital as at the Listing Date, being 28,802,990 shares of the Company, which represent approximately 0.83% of the total issued shares of the Company as of the date of this annual report.

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

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

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

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

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

Each option granted under the Pre-IPO Share Option Scheme is valid for five years from the date of grant provided that none of the Pre-IPO Options shall be exercisable prior to the Listing Date. As at 31 December 2021, all outstanding Pre-IPO Options have lapsed.

Details of the outstanding options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2021 are set out below:

Name or category of grantee	Date of grant of share options	Exercise price of share options (HK$ per share)	Exercise period of share options	Number of shares of the Company represented by the outstanding share options as at 1 January 2021	Exercised during the year	Cancelled during the year	Lapsed during the year	**Number of shares of the Company represented by the outstanding share options as at 31 December 2021**
Director								
Li Qing (resigned on 1 March 2022)	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)	**–**
Members of senior management & other employees of the Group								
In aggregate	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	200	–	–	(200)	**–**
				200	–	–	(200)	**–**
Total				1,872,200	–	–	(1,872,200)	**–**

Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 30 June 2016 (the "**Prospectus**").

2020 SHARE AWARD SCHEME

The 2020 Share Award Scheme was approved and adopted by the Board on 30 March 2020. The purposes of the 2020 Share Award Scheme are to (i) encourage or facilitate the holding of shares by the selected participants; (ii) encourage and retain such individuals to work with the Group; and (iii) provide additional incentive for them to achieve performance goals.

Pursuant to the 2020 Share Award Scheme, the Board or any committee delegated with the power and authority by the Board to administer the 2020 Share Award Scheme (the "**Administration Body**") may, from time to time at its absolute discretion, select any individual who is a director (including executive and non-executive director), employee (including full-time and part-time), officer, agent or consultant of the Company or any of its subsidiaries and, if the Administration Body so determines in its absolute discretion, any director (including executive and non-executive director) of the Company or any of its subsidiaries, and grant share awards (the "**Share Award(s)**") to such selected participant which are to be satisfied by (i) the new shares to be subscribed by the Trustee (as defined below) under the Company's available general mandate on the relevant grant date or under a specific mandate approved or to be approved by the shareholders of the Company; or (ii) the existing shares purchased by the Trustee.

The 2020 Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date. No shares shall be subscribed for and/or purchased pursuant to the 2020 Share Award Scheme, nor any amounts paid to the Trustee for the purpose of making such a subscription and/or purchase, if as a result of such subscription and/or purchase, the number of shares administered under the 2020 Share Award Scheme shall exceed in total 10% of the Company's share capital in issue from time to time. The shares in relation to Share Awards granted to the directors of the Company and its subsidiaries or any other connected person of the Company to be held by the Trustee from time to time shall be less than 30% of all the shares held by the Trustee under the 2020 Share Award Scheme.

The Company may from time to time cause to be paid to the Trustee such amounts of funds from the Company's resources as the Administration Body may in its absolute discretion determine, for the subscription of new shares or the purchase of existing shares and the payment of the transaction costs. The Administration Body may from time to time while the 2020 Share Award Scheme is in force determine any vesting criteria or conditions for the Share Awards to be vested or credited. The Trustee shall hold the grant shares awarded until they are vested to the relevant selected participants in accordance with the terms of the Share Awards.

The Company has appointed The Core Trust Company Limited (the "**Trustee**") as the trustee for the administration of the 2020 Share Award Scheme pursuant to the 2020 Share Award Scheme rules. To the Company's knowledge, the Trustee is not an associate of any connected persons of the Company.

During the year ended 31 December 2021, no Share Award has been granted or agreed to be granted under the 2020 Share Award Scheme, nor has any Share Award been cancelled or lapsed.

Further details of the 2020 Share Award Scheme are set forth in the announcements of the Company dated 30 March 2020 and 15 April 2020 and Note 16 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and as at the date of this annual report and their respective positions were:

Name	Position
Mr. Hu Wei *(appointed on 4 February 2022)*	Chairman of the Board, Executive Director and Chief Executive Officer
Mr. Li Chen *(appointed on 4 February 2022)*	Executive Director
Ms. Yang Jing *(appointed on 4 February 2022)*	Executive Director
Mr. Dai Weiwei *(appointed on 4 February 2022)*	Executive Director
Mr. Cheuk Shun Wah *(resigned on 10 May 2021)*	Executive Director
Mr. Li Shifa *(re-designated from an executive Director to a non-executive Director on 4 February and resigned as a non-executive Director on 1 March 2022)*	Non-executive Director
Mr. Wu Guolin *(re-designated from an executive Director to a non-executive Director on 4 February and resigned as a non-executive Director on 1 March 2022)*	Non-executive Director
Ms. Li Huifang *(re-designated from an executive Director to a non-executive Director on 4 February and resigned as a non-executive Director on 1 March 2022)*	Non-executive Director
Ms. Shi Lianghua *(re-designated from an executive Director to a non-executive Director on 4 February and resigned as a non-executive Director on 1 March 2022)*	Non-executive Director
Mr. Xie Xiangdong *(re-designated from an executive Director to a non-executive Director on 4 February and resigned as a non-executive Director on 1 March 2022)*	Non-executive Director
Mr. Wu Guozhou *(re-designated from an executive Director to a non-executive Director on 4 February and resigned as a non-executive Director on 1 March 2022)*	Non-executive Director
Mr. Huang Xufeng *(resigned on 5 February 2021)*	Non-executive Director
Ms. Li Qing *(resigned on 1 March 2022)*	Non-executive Director
Mr. Fu Bing	Non-executive Director
Mr. Guo Jingbin *(resigned on 1 March 2022)*	Independent Non-executive Director
Mr. Fung Ching Simon *(resigned on 1 March 2022)*	Independent Non-executive Director
Mr. Wang Tianye *(resigned on 1 March 2022)*	Independent Non-executive Director
Mr. Leung Chi Ching Frederick *(resigned on 1 March 2022)*	Independent Non-executive Director
Mr. Chen Yaomin *(resigned on 1 March 2022)*	Independent Non-executive Director

Name	Position
Ms. Zhai Xin *(appointed on 4 February 2022)*	Independent Non-executive Director
Mr. Li Wei *(appointed on 4 February 2022)*	Independent Non-executive Director
Mr. Ji Jiagen *(appointed on 4 February 2022)*	Independent Non-executive Director

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

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Hu Wei, Mr. Li Chen, Ms. Yang Jing and Mr. Dai Weiwei has entered into a service contract with the Company on 4 February 2022 commencing from even date. Each of Ms. Zhai Xin, Mr. Li Wei and Mr. Ji Jiagen has entered into a letter of appointment with the Company on 4 February 2022 commencing from even date. Mr. Fu Bing signed a letter of appointment with the Company on 11 May 2018 commencing from even date.

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the current independent non-executive Directors (being Ms. Zhai Xin, Mr. Li Wei and Mr. Ji Jiagen), and the Company considers such Directors to be independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2021, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

(a) Interests in the ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares(1)	Approximate percentage of shareholding(2)
Li Shifa (resigned on 1 March 2022)	Interest of controlled corporation(3)	916,488,000	26.38%

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2021, the Company had 3,474,283,058 issued shares.

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

(b) Interests in associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares interested[1]	Approximate percentage of shareholding
Li Shifa (resigned on 1 March 2022)	Lee International Investment Management Co., Ltd[2]	Beneficial Owner	50,000	100%
	Yupei International Investment Management Co., Ltd[2]	Interest of controlled corporation and Interest of spouse	200,000	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 180,000 shares in Yupei International Investment Management Co., Ltd. The remaining 20,000 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 200,000 shares in Yupei International Investment Management Co., Ltd.

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2021, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as the Directors are aware:

Name of shareholder	Capacity/Nature of interest	Number of shares/ underlying shares interested	Approximate percentage of shareholding[3]
Lee International Investment Management Co., Ltd	Interest of controlled corporation[4]	916,488,000[1]	26.38%
Yupei International Investment Management Co., Ltd[4]	Beneficial owner	916,488,000[1]	26.38%
Ma Xiaocui	Interest of spouse[5]	916,488,000[1]	26.38%
RRJ Capital Master Fund II, L.P.	Interest of controlled corporation[6]	949,206,127[1]	27.32%
		208,749,000[2]	6.01%
ESR Cayman Limited[7]	Beneficial owner; Interest of controlled corporation[7]	628,866,000[1]	18.10%
ESR HK Management Limited[7]	Beneficial owner	575,859,000[1]	16.57%
劉強東	Beneficiary of a trust (other than a discretionary interest)[8]	1,286,011,999[1]	37.02%
Max Smart Limited	Interest of controlled corporation[8]	1,286,011,999[1][9]	37.02%
JD.com, Inc.	Interest of controlled corporation[8]	1,286,011,999[1][9]	37.02%
Jingdong Technology Group Corporation[8]	Interest of controlled corporation[8]	1,286,011,999[1][9]	37.02%
JD Property Holding Limited[8]	Interest of controlled corporation[8]	1,286,011,999[1][9]	37.02%
JD Property Group Corporation[8]	Beneficial owner	1,286,011,999[1][9]	37.02%
UBS Trustees (B.V.I.) Limited	Trustee	1,286,011,999[1][9]	37.02%

Notes:

(1) Interests held in long positions.

(2) Interests held in short positions.

(3) As at 31 December 2021, the Company had 3,474,283,058 issued shares.

(4) Mr. Li Shifa holds the entire issued share capital of Lee International Investment Management Co., Ltd, which in turn holds 90% interest in Yupei International Investment Management Co., Ltd. Such interests are also disclosed as the interests of Mr. Li Shifa in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above. In addition, on 1 September 2021, JD Property Group Corporation (the "**Offeror**") entered into a sale and purchase agreement with Mr. Li Shifa and Yupei International Investment Management Co., Ltd ("**Yupei International**"), pursuant to which Yupei International has conditionally agreed to sell, and the Offeror has conditionally agreed to acquire, 916,488,000 Shares. Subsequently, the Offeror entered into a share charge agreement with Yupei International on 21 September 2021, pursuant to which Yupei International shall, among other things, grant security over its interest in 214,968,276 shares of the Company. On 28 January 2022, the Offeror entered into a deed of release of equitable mortgage in favour of Yupei International, pursuant to which, among other things, the security over the 214,968,276 shares of the Company granted by Yupei International was released by the Offeror. Completion of the sale of 916,488,000 shares of the Company by Yupei International to the Offeror took place on 28 January 2022, following which, Yupei International, Lee International Investment Management Co., Ltd. and Ms. Ma Xiaocui no longer hold or interested in any shares in the Company.

(5) Ms. Ma Xiaocui is the wife of Mr. Li Shifa and is deemed to be interested in the shares of the Company which are interested by Mr. Li Shifa under the SFO. In addition, on 1 September 2021, the Offeror entered into a sale and purchase agreement with Mr. Li Shifa and Yupei International, pursuant to which Yupei International has conditionally agreed to sell, and the Offeror has conditionally agreed to acquire, 916,488,000 Shares. Subsequently, the Offeror entered into a share charge agreement with Yupei International on 21 September 2021, pursuant to which Yupei International shall, among other things, grant security over its interest in 214,968,276 shares of the Company. On 28 January 2022, the Offeror entered into a deed of release of equitable mortgage in favour of Yupei International, pursuant to which, among other things, the security over the 214,968,276 shares of the Company granted by Yupei International was released by the Offeror. Completion of the sale of 916,488,000 shares of the Company by Yupei International to the Offeror took place on 28 January 2022, following which, Yupei International, Lee International Investment Management Co., Ltd. and Ms. Ma Xiaocui no longer hold or interested in any shares in the Company.

(6) RRJ Capital Master Fund II, L.P. holds the entire issued share capital of Berkeley Asset Holding Ltd, which holds 749,812,000 shares of the Company and 186,984,127 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 12,410,000 shares of the Company in long position. Accordingly, RRJ Capital Master Fund II, L.P. is deemed to be interested in the 749,812,000 shares and 186,984,127 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 12,410,000 shares in long position held by Sherlock Asset Holding Ltd. On 17 February 2022 and 18 February 2022, Berkeley Asset Holding Ltd and Sherlock Asset Holding Ltd tendered all shares in the Company, shares underlying in the Company's convertible bonds listed on the Stock Exchange and shares underlying the Company's unlisted physically settled derivatives for acceptance of the mandatory conditional cash offers made by Merrill Lynch (Asia Pacific) Limited for and on behalf of the Offeror to acquire all the issued shares and convertible bonds of the Company (other than those already owned or agreed to be acquired by the Offeror and/or parties acting in concert with it) (the "**Offers**"). Upon which, RRJ Capital Master Fund II, L.P., Berkeley Asset Holding Ltd, Sherlock Asset Holding Ltd no longer hold or interested in any shares or underlying shares of the Company.

(7) ESR Cayman Limited holds the entire issued share capital of ESR HK Management Limited, which holds 575,859,000 shares of the Company. ESR Cayman Limited holds 53,007,000 shares of the Company. As a result, ESR Cayman Limited is a beneficial owner as to 53,007,000 shares of the Company and is deemed to be interested in 559,228,000 shares of the Company held by ESR HK Management Limited.

(8) JD Property Group Corporation is formerly known as Jingdong Logistics Group Corporation. 劉強東 (Mr. Richard Qiangdong Liu) controls 100% issued share capital of Max Smart Limited, which in turn controls 73.20% issued share capital of JD.com, Inc.. JD.com, Inc. holds the entire issued share capital of Jingdong Technology Group Corporation, which in turn holds the entire issued share capital of JD Property Holding Limited. JD Property Holding Limited holds 83.89% issued share capital of JD Property Group Corporation. Accordingly, each of 劉強東, Max Smart Limited and JD.com, Inc. is deemed to be interested in the 1,286,011,999 shares of the Company held by JD Property Group Corporation. As of 25 March 2022, JD Property Group Corporation received valid acceptance in respect of 1,499,183,805 shares, 2024 Convertible Bonds in an aggregate principal amount of HK$1,063,000,000 and 2025 Convertible Bonds in an aggregate principal amount of HK$775,050,000. Accordingly, as of 25 March 2022, each of 劉強東, Max Smart Limited, JD.com, Inc., JD Property Group Corporation is interested and deemed to be interested in 2,785,195,804 shares and 605,158,576 underlying shares of the Company.

(9) JD Property Group Corporation, i.e. the Offeror, entered into a sale and purchase agreement with Mr. Li Shifa and Yupei International on 1 September 2021 in connection with the acquisition of 916,488,000 Shares. Immediately upon Completion which took place on 28 January 2022, the Offeror and parties acting in concert with it became interested in 1,286,011,999 Shares, representing approximately 37.02% of the issued share capital of the Company. In addition, a share charge agreement was entered into on 21 September 2021, pursuant to which Yupei International granted first ranking security over its right, title and interest in, to and under 214,968,276 shares in favour of JD Property Group Corporation, i.e. the Offeror. The share charge was released on 28 January 2022.

As of 25 March 2022, the Offeror received in respect of the Offers, valid acceptances in respect of a total of 1,499,183,805 shares, and the 2024 convertible bonds and 2025 convertible bonds in an aggregate principal amount of HK$1,063,000,000 and HK$775,050,000, respectively. Accordingly, as of 25 March 2022, each of 劉強東, Max Smart Limited, JD.com, Inc., JD Property Group Corporation is interested and deemed to be interested in 2,785,195,804 shares and 605,158,576 underlying shares of the Company.

Save as disclosed above, as at 31 December 2021, the Directors or chief executive of the Company are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACT

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

MAJOR TENANTS AND CONTRACTORS

During the year ended 31 December 2021, revenue attributable to the Group's largest tenant, JD.com, Inc., who was then a substantial shareholder of the Company, accounted for approximately 23.8%, while the revenue attributable to the Group's five largest tenants accounted for approximately 40.3% of the Group's total revenue in the same period. Yupei Supply Chain Management Group Co., Ltd. (宇培供應鏈管理集團有限公司) ("**Shanghai Yupei Supply Chain**"), one of the five largest tenants of the Company, is a subsidiary of Shanghai Yupei Investment Holdings Co., Ltd. (上海宇培投資控股有限公司) (formerly known as Shanghai Yushuo Investment Holdings Co., Ltd. (上海宇碩投資控股有限公司)) ("**SYPI**"), the interests of which are 90% owned by Mr. Li Shifa (a former Director). Save as disclosed above, none of the Directors, any of their close associates or any shareholders that, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company had any interest in any of the Group's five largest tenants during the year ended 31 December 2021.

During the year ended 31 December 2021, transaction amounts with the Group's largest contractor accounted for approximately 46.5%, five largest contractors accounted for approximately 85.4%, of the Group's total construction cost incurred in the same period. All of the Group's five largest contractors are independent third parties. None of the Directors, any of their close associates or any shareholders that, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company had any interest in any of the Group's five largest contractors during the year ended 31 December 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's audit, risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles although there are no restrictions against such rights under the laws in the Cayman Islands.

EMOLUMENT POLICY

The Directors believe that effective talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent through its internal training programs. The remuneration package of the Group's employees includes salaries, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, bonuses and promotion. The Directors believe the salaries and benefits that the Group's employees receive are competitive with market standards in each geographic location where the Group conducts business. In addition, the Company has adopted the Pre-IPO Share Option Scheme and the 2020 Share Award Scheme which provide incentive to better motivate its employees.

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in Note 30 to the consolidated financial statements.

PUBLIC FLOAT

Reference is made to the announcements of the Company dated 17 June 2021, 22 June 2021, 22 July 2021, 25 February 2022, 11 March 2022 and 25 March 2022. To the best knowledge, information and belief of the Directors, the public float of the Company has fallen below the minimum 25% requirement as prescribed by Rule 8.08(1)(a) of the Listing Rules since 17 June 2021; and as at 25 March 2022, the public float of the Company is approximately 1.73%, which remains below the minimum 25% requirement as prescribed by Rule 8.08(1)(a) of the Listing Rules and there is no confirmed plan to restore the public float. The Company will make further announcement regarding restoration of public float in the Shares as and when necessary in accordance with the Listing Rules.

AUDITOR

On 29 June 2021, KPMG was appointed as the auditor of the Company, taking effect upon the retirement of PricewaterhouseCoopers at the conclusion of the annual general meeting of the Company. The consolidated financial statements for the year ended 31 December 2021 have been audited by KPMG, who shall retire as auditor of the Company upon expiration of its current term of office with effect from the conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment or appointment of auditor of the Company will be proposed at the forthcoming annual general meeting. Save of the aforementioned, there has been no other change of auditors in the past three years.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, share option reserves and retained earnings totaling approximately RMB4,257 million.

BANK BORROWINGS AND OTHER LOANS

Particulars of bank borrowings and other loans of the Group as at 31 December 2021 are set out in Note 20 to the consolidated financial statements.

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

Use of Proceeds from Placing of New Shares Under General Mandate

To supplement the Group's long-term funding of its expansion plan and growth strategies, the Company entered into a placing agreement with Citigroup Global Markets Limited in relation to the Placing on 9 June 2021 (the "**Placing Agreement**"). On 17 June 2021, the Company successfully raised a total net proceeds of approximately HK$767 million from the placing of an aggregate of 220,000,000 new ordinary shares of the Company, representing approximately 6.33% of the total issued share capital of the Company as at the aforesaid date, at the placing price of HK$3.54 per placing share to not less than six professional, institutional and/or individual investors who, together with their respective ultimate beneficial owners, are third parties independent of, not acting in concert with and not connected with the Company or its connected persons. The placing price of HK$3.54 per placing share represents a discount of approximately 18.24% to the closing price of HK$4.33 per share of the Company as quoted on the Stock Exchange on 8 June 2021, being the last trading day prior to the signing of the Placing Agreement. As disclosed in the announcement of the Company, the net proceeds of approximately HK$767 million, which represents a net issue price of approximately HK$3.49 per placing share, were intended to be applied as to (i) approximately 50% for its investments and acquisitions in land, particularly in the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta economic zone, the Bohai economic zone and the Pearl River Delta economic zone; (ii) approximately 40% for the construction and development of warehousing facilities in the Group's projects under development; and (iii) approximately 10% for general working capital of the Group. As of 31 December 2021, (i) approximately HK$265 million has been used for investments and acquisitions in land; (ii) approximately HK$376 million has been utilized for the construction and development of warehousing facilities in the Group's projects under development; and (iii) approximately HK$126 million has been used for general working capital. Accordingly, as of 31 December 2021, the total net proceeds of HK$767 million has been fully utilized for the intended purposes. The redistribution of use of proceeds among different intended uses was made to better accommodate the operational needs of the Group. For further details, please refer to the announcements of the Company dated 9 June 2021 and 17 June 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, Mr. Li Shifa was a former Director and the ultimate controlling shareholder of Shanghai Yupei Industry (Group) Company Limited (上海宇培實業 (集團) 有限公司) ("**Shanghai Yupei Industry**"), a company that offers development, operation and management of logistics warehousing facilities. However, the extent of competition is limited and immaterial to the Group because, among others, the main businesses of Shanghai Yupei Industry (i) are situated in different geographical locations from the Group's logistics facilities in Shanghai and are limited to two relatively small areas; and (ii) target different potential tenants, specifically traditional logistics services providers and companies such as manufacturers.

Mr. Hu Wei, executive Director and chairman of the Board, is a director of JD Property Group Corporation and a non-executive director of ESR Cayman Limited, a company whose shares is listed on the Stock Exchange (stock code: 1821). JD Property Group Corporation and its subsidiaries own and operate properties in China, some of which may have business overlaps and potentially compete with the business of the Group. As disclosed in the annual report of ESR Cayman Limited for the year ended 31 December 2020, ESR Cayman Limited is a logistics real estate platform in Asia Pacific, some of which may have business overlaps and potentially compete with the business of the Group.

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Each of Mr. Li Shifa, Lee International Investment Management Co., Ltd, Ms. Ma Xiaocui, Lee Asset Management Co., Ltd, Yupei International Investment Management Co., Ltd (collectively, the "**Covenantors**") has entered into a deed of non-competition in favor of the Group on 14 June 2016 (the "**Deed of Non-Competition**"), pursuant to which the Covenantors have jointly and severally and irrevocably undertaken to our Group that, save for Shanghai Yupei Industry, he/she/it shall not, and shall procure his/her/its respective close associates (except for any members of the Group) not to, during the restricted period, directly or indirectly (including through nominees), either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business, which competes or is likely to compete, directly or indirectly, with the existing businesses of any member of our Group. On 28 January 2022, the Deed of Non-Competition was automatically terminated as each of the Covenantors ceased to be interested in, directly or indirectly, any shares of the Company upon completion of the Sale and Purchase Agreement.

The current independent non-executive Directors (being Ms. Zhai Xin, Mr. Li Wei and Mr. Ji Jiagen) have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2021. Each of the Covenantors has provided to the Company a written confirmation in respect of his/her/its compliance with the Deed of Non-Competition.

PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the Articles. Such provisions were in force during the year ended 31 December 2021 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

CONNECTED TRANSACTION

The Call Option Agreement

Reference is made to the announcement of the Company dated 17 August 2021, where the Company, China Yupei Logistics Property Development Co. Ltd. (the "**Grantor**") (a wholly-owned subsidiary of the Company) and Yupei Anhui Logistics Property Management Co., Ltd. (the "**BVI Target**") (a wholly-owned subsidiary of the Company) have entered a call option agreement (the "**Call Option Agreement**") with China Logistics Supply Chain Holdings Co., Ltd (the "**Optionholder**"), pursuant to which, the Grantor has granted to the Optionholder the right to purchase from the Grantor, and to require the Grantor to sell, the entire issued share capital of the BVI Target at the exercise price of RMB277,658,000 at any time during the period from the date of the Call Option Agreement until the date falling 18 months after the date of the Call Option Agreement ("**Option**") by giving a notice in writing. The Company has agreed to guarantee the due and punctual performance and observance by the Grantor and the BVI Target, both subsidiaries of the Company, of all their obligations under or pursuant to the Call Option Agreement.

The Optionholder exercised the Option on 3 February 2022 in respect of the entire issued share capital of the BVI Target. Upon completion of the exercise of the Option, the BVI Target ceased to be a subsidiary of the Company.

Mr. Li Shifa, then being an executive Director and a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. China Logistics Supply Chain Holdings Co., Ltd is indirectly wholly-owned by Mr. Li Shifa and is therefore an associate of Mr. Li Shifa and hence a connected person of the Company. Accordingly, the Call Option Agreement constitutes a connected transaction of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Mr. Li Shifa, then being an executive Director and a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. SYPI is owned by Mr. Li Shifa as to 90% and is therefore an associate of Mr. Li Shifa and hence a connected person of the Company under the Listing Rules. Shanghai Yupei Industry, Shanghai Yupei Specialty Building Materials Co., Ltd.（上海宇培特種建材有限公司）("**Shanghai Yupei Specialty Building Materials**"), Shanghai Yupei E-commerce Company Limited（上海宇培電子商務有限公司）("**Shanghai Yupei E-commerce**"), Shanghai Yupei Construction Engineering Company Limited（上海宇培建設工程有限公司）("**Shanghai Yupei Construction**"), Shanghai Yupei Express Logistics Company Limited（上海宇培速通物流有限公司）("**Shanghai Yupei Express Logistics**") and Shanghai Yupei Supply Chain all being subsidiaries of SYPI (together, the "**SYPI Group**"), are therefore each an associate of Mr. Li Shifa and a connected person of the Company. The 2019 Property Lease Transactions and the 2020 Property Lease Transactions as detailed below have been entered among relevant members of the SYPI Group as lessee, on the one hand, and relevant members of the Group, as lessor, on the other, which constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The 2019 Property Lease Transactions

Reference is made to the announcement of the Company dated 17 May 2019, where the Company announced that on 17 May 2019, the Company entered into a lease framework agreement (the "**2019 Lease Framework Agreement**") for a term of three years commencing from 1 January 2020 to 31 December 2022 with SYPI, pursuant to which the Company and SYPI agreed that relevant members of the Group and relevant members of the SYPI Group shall further enter into separate lease agreements (the "**2019 Lease Agreements**") in respect of the leasing of each of the relevant premises (the "**2019 Premises**") based on the pricing policy set out in the 2019 Lease Framework Agreement. The 2019 Lease Framework Agreement sets out a framework of the terms on which the Company has agreed to procure members of the Group to lease the relevant premises (including warehouse areas, office premises and canopy areas) to members of the SYPI Group in relation to its business and operations. The relevant members of the Group have further entered into separate 2019 Lease Agreements with relevant members of the SYPI Group in order to set out the specific terms and conditions of the leasing of the 2019 Premises.

The 2019 Property Lease Transactions are subject to the annual caps in respect of the year ended 31 December 2021 and the year ending 31 December 2022, being the aggregate rentals and service fees payable to the Group by relevant members of the SYPI Group under the respective 2019 Lease Agreements for the Premises in each year, respectively.

Leases for two of the 2019 Premises were terminated in connection with the 2020 Property Lease Transactions detailed below.

The annual caps for the lease transactions contemplated under the 2019 Lease Framework Agreement during the year ended 31 December 2021 and the year ending 31 December 2022 are RMB14,809,000 and RMB15,254,000, respectively. During the year ended 31 December 2021, the actual transaction amount was RMB9,477,000 and the annual cap was not exceeded.

The 2020 Property Lease Transactions

Reference is made to the announcement and circular of the Company dated 29 April 2020 and 28 May 2020, respectively, where the Company announced that on 29 April 2020, relevant members of the Group and relevant members of the SYPI Group terminated the leases in respect of eight premises, and the Company entered into a lease framework agreement (the "**2020 Lease Framework Agreement**") for a term of three years commencing from 1 July 2020 to 30 June 2023 with SYPI, pursuant to which the Company and SYPI agreed that relevant members of the Group and relevant members of the SYPI Group shall further enter into separate lease agreements (the "**2020 Lease Agreements**") in respect of the leasing of each of the relevant premises (the "**2020 Premises**") based on the pricing policy set out in the 2020 Lease Framework Agreement. The 2020 Lease Framework Agreement sets out a framework of the terms on which the Company has agreed to procure members of the Group to lease the relevant premises (including warehouse areas, office premises and canopy areas) to members of the SYPI Group in relation to its business and operations. The relevant members of the Group have further entered into separate 2020 Lease Agreements with relevant members of the SYPI Group in order to set out the specific terms and conditions of the leasing of the 2020 Premises.

The 2020 Property Lease Transactions are subject to the annual caps in respect of the year ended 31 December 2021 and the years ending 31 December 2022 and 2023, being the aggregate rentals and service fees payable to the Group by relevant members of the SYPI Group under the respective 2020 Lease Agreements for the Premises in each year, respectively.

The annual caps for the lease transactions contemplated under the 2020 Lease Framework Agreement during the year ended 31 December 2021 and the years ending 31 December 2022 and 2023 are RMB63,324,000, RMB65,219,000 and RMB31,549,000, respectively. During the year ended 31 December 2021, the actual transaction amount was RMB60,992,000 and the annual cap was not exceeded.

2021 Agreements

Reference is made to the announcements of the Company dated 17 June 2021 and 28 June 2021. JD Property Group Corporation is a wholly-owned subsidiary JD.com, Inc. and has increased its shareholding in the Company to approximately 10.11% of the total issued share capital of the Company as of 17 June 2021 ("**Shareholding Increase**"). Accordingly, JD.com, Inc. and its associates (including JD Logistics, Inc., its subsidiaries and consolidated affiliated entities from time to time ("**JD Logistics Group**")) are connected persons of the Company. Before JD.com, Inc, and its associates became connected persons of the Company, the Group and JD Logistics Group had entered into various continuing transactions under certain lease agreements. Consequently, after the Shareholding Increase, the continuing transactions under the such lease agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Zhengzhou Lease Agreement

Reference is made to the announcements of the Company dated 12 August 2021 and 28 June 2021, where the Company announced that on 12 August 2021, the Company entered into a lease agreement (the "**Zhengzhou Lease Agreement**") for a term of one year commencing from 18 August 2021 to 17 August 2022 with Zhengzhou Yupei Warehousing Co., Ltd. (鄭州宇培倉儲有限公司) ("**Zhengzhou Yupei**"), pursuant to which Zhengzhou Yupei agreed to lease a specified portion in Warehouse No.3 of Zhengzhou Yupei Logistics Park to Henan Jingbangda Supply Chain Co., Ltd (河南京邦達供應鏈有限公司) ("**JD Tenant**"), an indirect wholly-owned subsidiary of JD Logistics, Inc..

Zhengzhou Yupei is a subsidiary of the Company and JD Tenant is an indirect wholly-owned subsidiary of JD Logistics, Inc., which is a subsidiary of JD.com, Inc.. JD Property Group Corporation, a substantial shareholder of the Company, is a subsidiary of JD.com, Inc.. Accordingly, JD Tenant is an associate of JD Property Group Corporation and is thus regarded as a connected person of the Company under the Listing Rules. The transactions contemplated under the Zhengzhou Lease Agreement and the then existing lease agreements entered into between Zhengzhou Yupei as lessor and JD Tenant as lessee in respect of certain premises in Zhengzhou Yupei Logistics Park therefore constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

2021 Lease Framework Agreement

Reference is made to the announcement and circular of the Company dated 25 August 2021 and 13 September 2021, respectively, where the Company announced that on 25 August 2021, the Company entered into a lease framework agreement (the "**2021 Lease Framework Agreement**") for a term of three years commencing from 25 August 2021 to 31 December 2023 with JD.com, Inc., pursuant to which members of the Group (as lessor) shall lease properties to members of the JD.com, Inc. and its subsidiaries (as lessee) in accordance with the principal terms of the 2021 Lease Framework Agreement. The 2021 Lease Framework Agreement will govern the lease agreements (including any supplemental agreements in relation to such agreements) entered or to be entered into between members of the Group (as lessor) and members of the JD.com, Inc. and its subsidiaries (as lessee) in relation to the leasing of properties on or before 25 August 2021 and lease agreements relating to the leasing of properties which may be entered into during the term of the 2021 Lease Framework Agreement between members of the Group and the JD.com, Inc. and its subsidiaries. Upon the 2021 Lease Framework Agreement becoming effective, the below annual caps have superseded the annual caps in respect of the Zhengzhou Lease Agreement and the transactions contemplated under the Zhengzhou Lease Agreement are covered by the 2021 Lease Framework Agreement, the principal terms of which shall apply to the extent practicable.

The annual caps for the lease transactions contemplated under the 2021 Lease Framework Agreement and as approved by the independent shareholders at the extraordinary general meeting of the Company held on 28 September 2021 during the year ended 31 December 2021 and the years ending 31 December 2022 and 2023 are RMB220,000,000, RMB270,000,000 and RMB300,000,000, respectively. During the year ended 31 December 2021, the actual transaction amount was RMB100,476,000 and the annual cap was not exceeded.

In the opinion of the current independent non-executive Directors (being Ms. Zhai Xin, Mr. Li Wei, Mr. Ji Jiagen), all of the aforementioned continuing connected transactions above were entered into by the Group:

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

(ii) on normal commercial terms or better; and

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

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

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2021 as disclosed above has been provided by the Company to the Stock Exchange.

The transactions contemplated under the aforementioned property lease agreements also constitute related party transactions of the Company under IFRS, details of which are set out in Note 39 to the consolidated financial statements. In respect of these transactions, the Directors have confirmed that the Company was in compliance with the applicable requirements under Chapter 14A of the Listing Rules.

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

By order of the Board
Hu Wei
Chairman

Hong Kong, 31 March 2022

Corporate Governance Report

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2021. The CG Code has been subsequently revised and renamed as the "Corporate Governance Code" with effect from 1 January 2022, the requirements under the "Corporate Governance Code" applies to corporate governance reports for financial year commencing on or after 1 January 2022. As this report covers the year ended 31 December 2021, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code, instead of the revised "Corporate Governance Code". The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the "Corporate Governance Code".

The Board considers that during the year ended 31 December 2021, the Company has complied with the code provisions set out in the CG Code, except for code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Mr. Fu Bing has confirmed, following specific enquiry by the Company, that he has complied with the Model Code throughout the Reporting Period. All other existing Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code from the date of his/her appointment up to the date of this report.

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.

BOARD OF DIRECTORS

Board Composition

The following chart illustrated the structure and membership of the Board and the Board committees as at the date of this annual report:

Board of Directors

Executive Directors
Mr. Hu Wei, *Chairman of the Board, Chief Executive Officer*
Mr. Li Chen
Ms. Yang Jing
Mr. Dai Weiwei

Non-executive Director
Mr. Fu Bing

Independent Non-executive Directors
Ms. Zhai Xin
Mr. Li Wei
Mr. Ji Jiagen

Audit Committee
Mr. Li Wei, *Chairman*
Mr. Ji Jiagen
Ms. Zhai Xin

Remuneration Committee
Mr. Ji Jiagen, *Chairman*
Ms. Zhai Xin
Mr. Dai Weiwei

Nomination Committee
Mr. Hu Wei, *Chairman*
Mr. Ji Jiagen
Ms. Zhai Xin

During the year ended 31 December 2021, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise.

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

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Biographies of the Directors, Senior Management and Secretary" in this annual report. Details of the service contracts and letters of appointment entered into between the Company and the Directors, as well as the term of appointment of the Directors, are set out in the section headed "Directors' Service Contracts and Letters of Appointment" in this annual report.

Chairman and Chief Executive Officer

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

During the Reporting Period, Mr. Li Shifa was the chairman, chief executive officer and president of the Company. With extensive experience in the logistics facilities industry, Mr. Li Shifa was 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 considered 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. As at 31 December 2021, the Board comprised six executive Directors, two non-executive Directors and five independent non-executive Directors and therefore had a fairly strong independence element in its composition.

Mr. Hu Wei has been appointed to be the chief executive officer and chairman of the Board in place of Mr. Li Shifa on 28 January 2022 and 4 February 2022, respectively. The Board considers that it is more efficient to have the same person to be the chairman as well as to discharge the executive functions of a chief executive officer of the Company and it provides the Group with strong and consistent leadership. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. Nevertheless, the Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Appointment and Re-election of Directors

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

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

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

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

Responsibilities and Delegation

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2021 and up to the date of this annual report, the Company has provided reading materials on regulatory update to all its existing Directors, namely, Mr. Hu Wei, Mr. Li Chen, Ms. Yang Jing, Mr. Dai Weiwei, Ms. Zhai Xin, Mr. Li Wei and Mr. Ji Jiagen, for their reference and studying.

Corporate Governance Functions

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

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

Attendance Records of Directors and Committee Members

The attendance records of each Director at the regular Board meetings, Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2021 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Hu Wei (Note 1)	—	—	—	—	—	—
Mr. Li Chen (Note 2)	—	—	—	—	—	—
Ms. Yang Jing (Note 3)	—	—	—	—	—	—
Mr. Dai Weiwei (Note 4)	—	—	—	—	—	—
Mr. Li Shifa (Note 5)	16/16	—	2/2	2/2	1/1	2/2
Mr. Wu Guolin (Note 6)	16/16	—	—	—	1/1	2/2
Ms. Li Huifang (Note 7)	16/16	—	—	—	1/1	2/2
Mr. Cheuk Shun Wah (Note 8)	5/5	—	—	—	—	—
Ms. Shi Lianghua (Note 9)	16/16	—	—	—	1/1	2/2
Mr. Xie Xiangdong (Note 10)	16/16	—	—	—	1/1	2/2
Mr. Wu Guozhou (Note 11)	16/16	—	—	—	1/1	2/2
Mr. Huang Xufeng (Note 12)	0/1	—	—	—	—	—
Ms. Li Qing (Note 13)	16/16	—	2/2	2/2	1/1	2/2
Mr. Fu Bing	16/16	—	—	—	1/1	2/2
Mr. Guo Jingbin (Note 14)	16/16	3/3	2/2	2/2	1/1	2/2
Mr. Fung Ching Simon (Note 15)	16/16	3/3	2/2	—	1/1	2/2
Mr. Wang Tianye (Note 16)	16/16	—	2/2	2/2	1/1	2/2
Mr. Leung Chi Ching Frederick (Note 17)	16/16	3/3	—	2/2	1/1	2/2
Mr. Chen Yaomin (Note 18)	16/16	—	—	—	1/1	2/2
Ms. Zhai Xin (Note 19)	—	—	—	—	—	—
Mr. Li Wei (Note 20)	—	—	—	—	—	—
Mr. Ji Jiagen (Note 21)	—	—	—	—	—	—

Notes:

1. Mr. Hu Wei was appointed as an executive Director and the chairman of the Nomination Committee on 4 February 2022.

2. Mr. Li Chen was appointed as an executive Director on 4 February 2022.

3. Ms. Yang Jing was appointed as an executive Director on 4 February 2022.

4. Mr. Dai Weiwei was appointed as an executive Director and a member of the Remuneration Committee on 4 February 2022.

5. Mr. Li Shifa was re-designated from an executive Director to a non-executive Director and resigned as the chairman of the Nomination Committee and a member of the Remuneration Committee on 4 February 2022, and resigned as a non-executive Director on 1 March 2022.

6. Mr. Wu Guolin was re-designated from an executive Director to a non-executive Director on 4 February 2022 and resigned as a non-executive Director on 1 March 2022.

7. Mr. Li Huifang was re-designated from an executive Director to a non-executive Director on 4 February 2022 and resigned as a non-executive Director on 1 March 2022.

8. Mr. Cheuk Shun Wah resigned as an executive Director on 10 May 2021. During the period from 1 January 2021 to his resignation date, 5 Board meetings were held.

9. Ms. Shi Lianghua was re-designated from an executive Director to a non-executive Director on 4 February 2022 and resigned as a non-executive Director on 1 March 2022.

10. Mr. Xie Xiangdong was re-designated from an executive Director to a non-executive Director on 4 February 2022 and resigned as a non-executive Director on 1 March 2022.

11. Mr. Wu Guozhou was re-designated from an executive Director to a non-executive Director on 4 February 2022 and resigned as a non-executive Director on 1 March 2022.

12. Mr. Huang Xufeng resigned as a non-executive Director on 5 February 2021. During the period from 1 January 2021 to his resignation date, 1 Board meeting was held.

13. Ms. Li Qing resigned as a member of the Remuneration Committee and the Nomination Committee on 4 February 2022, and a non-executive Director on 1 March 2022.

14. Mr. Guo Jingbin resigned as the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee on 4 February 2022, and an independent non-executive Director on 1 March 2022.

15. Mr. Fung Ching Simon resigned as the chairman of the Audit Committee and a member of the Remuneration Committee on 4 February 2022, and an independent non-executive Director on 1 March 2022.

16. Mr. Wang Tianye resigned as a member of the Remuneration Committee and the Nomination Committee on 4 February 2022, and an independent non-executive Director on 1 March 2022.

17. Mr. Leung Chi Ching Frederick resigned as a member of the Audit Committee and the Nomination Committee on 4 February 2022, and an independent non-executive Director on 1 March 2022.

18. Mr. Chen Yaomin resigned as an independent non-executive Director on 1 March 2022.

19. Ms. Zhai Xin was appointed as an independent non-executive Director and a member of the Nomination Committee, the Audit Committee and the Remuneration Committee on 4 February 2022.

20. Mr. Li Wei was appointed as an independent non-executive Director and the chairman of the Audit Committee on 4 February 2022.

21. Mr. Ji Jiagen was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee on 4 February 2022.

BOARD COMMITTEES

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

Remuneration Committee

The Remuneration Committee currently comprises a total of three members, being two independent non-executive Directors, namely, Mr. Ji Jiagen (Chairman), Ms. Zhai Xin and one executive Director, namely, Mr. Dai Weiwei. Accordingly, the majority of the members are independent non-executive Directors.

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

During the year ended 31 December 2021, the Remuneration Committee has performed the following major tasks:

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

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the member of the senior management other than Directors by band for the year ended 31 December 2021 is set out below:

Remuneration	Number of individual
Nil to RMB500,000	0
RMB500,001 to RMB1,000,000	1
RMB1,000,001 to RMB2,000,000	0
RMB2,000,001 to RMB2,500,000	1

The remuneration of the Directors is determined with reference to their qualification, experience, time commitment and responsibilities in the Company as well as the remuneration policy of the Company. Details of the remuneration of each of the Directors for the year ended 31 December 2021 are set out in Note 42 to the consolidated financial statements.

Audit Committee

The Audit Committee currently comprises a total of three members, namely, Mr. Li Wei (Chairman), Mr. Ji Jiagen, Ms. Zhai Xin. All of the members are independent non-executive Directors, with at least one of whom possessing the appropriate professional qualifications. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

During the year ended 31 December 2021, the Audit Committee has performed the following major tasks:

— Review and discussion of the annual financial results and report for the year ended 31 December 2020 and interim financial results and report for the six months ended 30 June 2021;

— Review the Group's continuing connected transactions for the year ended 31 December 2020;

— Review of the scope of audit work, auditor's fees and terms of engagement for the year ending 31 December 2022;

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

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

— Review of the risk management and internal control systems;

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

— Considering and recommendation of the change of auditor of the Company during the year.

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

Nomination Committee

The Nomination Committee currently comprises a total of three members, being one executive Director and the Chairman of the Board, namely, Mr. Hu Wei (Chairman), and two independent non-executive Directors, namely, Mr. Ji Jiagen and Ms. Zhai Xin. Accordingly, the majority of the members are independent non-executive Directors.

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

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

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

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

During the year ended 31 December 2021, the Nomination Committee has performed the following major tasks:

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

— Recommendation of the re-election of those directors standing for re-election at the 2021 annual general meeting of the Company;

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

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

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities for the audit of the consolidated financial statements for the year ended 31 December 2021 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditor in respect of audit services and non-audit services for the year ended 31 December 2021 are analyzed below:

Type of services provided by the external auditor	Fees paid/ payable (RMB'000)
Audit services:	
Audit fees for the year ended 31 December 2021	2,600
Non-audit services:	
Advisory services to directors of the Company in relation to the general offer by Merrill Lynch (Asia Pacific) Limited for and on behalf of JD Property Group Corporation to acquire all shares and outstanding convertible bonds of the Company (other than those already owned or agreed to be acquired by JD Property Group Corporation)	400
Interim review and others	1,400
Tax consultation in connection with the indirect transfer of shares in Yupei Wuxi Logistics Property Development Co., Limited	250
Total:	4,650

COMPANY SECRETARY

Ms. So Ka Man of Tricor Services Limited, an external service provider, has been engaged by the Company as its Company Secretary. The primary contact person at the Company, whom Ms. So can contact, is Ms. Yang Jing, an executive Director.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Address:	8th Floor, Raffles City The Bund East Tower, 1089 Dongdaming Road, Hongkou, Shanghai, the PRC
Email:	cnlpir@jd.com

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

The Company has not made any changes to the Articles during the year ended 31 December 2021. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of shareholders.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Purpose

China Logistics Property Holdings Co. Ltd ("**CNLP**", together with its subsidiaries collectively referred to as the "**Group**" or "**We**") is pleased to publish our Environmental, Social and Governance Report (the "**Report**") for 2021. We are committed to providing customers with high quality logistics facilities leasing services, while enhancing our contributions to the communities and actively actualizing our corporate responsibility. This Report outlines our milestones, strategies, measures and performance in respect of sustainable development in 2021. For details of our corporate governance, please refer to the section headed as "Corporate Governance Report" in this year's annual report.

Reporting Scope

Unless otherwise specified, this Report covers the period from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"), and the scope includes our Shanghai, Hong Kong and Beijing offices and 37 logistics park projects under our control in operation. Compared to the last year, 6 logistics park projects are newly added to this year's reporting scope, including Jinan Yuzhen Logistics Park, Luohe Yupei Logistics Park, Qingdao Yuhang Logistics Park, Yuhang Zhoushan Industrial Park, Changsha Yupei Logistics Park and Guiyang Yupei Logistics Park and Jinan Yupei Logistics Park (Phases I and II), which has ceased operations during Reporting Period after the logistics park's land being recovered, was excluded in this year's Reporting Scope.

Reporting Standards

This Report has been prepared pursuant to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), to disclose the performance of the Group in environmental and social aspects during the Reporting Period.

Reporting Principle

During the preparation of the Report, the Group adhered to four reporting principles: materiality, quantitative, balance and consistency as follows:

MATERIALITY

Through the involvement and materiality analysis of the Group's stakeholders, we have identified and prioritized the environmental, social and governance (the "ESG") issues that are most relevant to the Group and various stakeholders. Relevant stakeholders have chosen 12 issues this year. For details of the involvement of the relevant stakeholders, please refer to the section headed "Materiality Assessment".

QUANTITATIVE

To ensure that the data disclosed in this Report is measurable and comparable, we disclose the relevant standards and methodologies used in the calculation of environmental and social key performance indicators (the "KPIs").

BALANCE

In order to reflect the Group's ESG performance in a fair manner during the Reporting Period, we disclose the ESG issues in this Report, which include the achievements we have made and the challenges we faced, in order to present the ESG progress of the Group objectively.

CONSISTENCY

As far as practicable, the calculation methods used in this Report is consistent with those of the prior year for the comparison with historical data. In addition, we have provided explanations for changes in the reporting scope for the year.

Confirmation and Approval

Reference made in this Report is sourced from the official documents, statistical data of CNLP, and management and operation information collected according to the procedures of the Group. The content of this Report has been reviewed and approved by the board of directors of the Group (the "**Board**") in April 2022.

Your Opinion

Your opinion is valuable for the improvement in the Group's sustainable development. Please feel free to offer your comments and suggestions in cnlpsecretary.board@jd.com.

MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

On behalf of the Group, I am pleased to present our 2021 ESG Report. As an industry-leading logistics facility service provider, we are determined to maximize the comprehensive economic, environmental and social value, and constantly improve the Group's governance structure and system of sustainability, to integrate sustainability with the Group's development strategy. We also pay attention to a variety of environmental and social issues, and are committed to fulfilling our social responsibilities and promoting the sustainable development, so as to create long-term value for our stakeholders.

Faced with severe challenges and various risks brought by the ongoing spread of the COVID-19 pandemic (the "**Pandemic**") across the world, we firmly believe that sustainability has become the common goal of all sectors of society and the prevailing issue of top significance for enterprises. To meet the expectations of stakeholders, the Board of the Group assumes the responsibility in sustainability. We spare no effort to realize sustainability through management's continuous monitoring and regular reporting to the Board regarding the effectiveness of the risk management and internal control system of the Group.

To effectively mitigate the rapid global climate changes, we are committed to practicing the operating policy of green development. Therefore, upon feasible and practice, we prioritize to select energy-saving materials and technologies, and actively comply with the environmental protection policies issued by the Chinese government, to achieve energy conservation and carbon reduction, and reduce the negative impact on the environment. Beyond that, we have proactively incorporated resilience to climate change into our sustainability strategy, and implemented mitigation measures to address the risks associated with extreme climates.

The Group regards employees as our most valuable assets. Our employees keep making tireless efforts to practice operational and sustainable development strategies for the Group, and meet challenges head-on, which acts as the wheel of the steady business growth of the Group. Therefore, to appreciate all employees' hard work, we believe and practice the idea of "Sharing development results with employees". At the same time, we are also committed to providing employees with a safe, healthy and friendly working environment, a varied range of trainings, and opportunities for career development.

We deeply believe that two-way communication with various stakeholders is essential to understand their expectations over the Group's sustainability performance. In this sense, we have actively communicated with various stakeholders through different channels, and focused on the disclosure of issues in relation to their prioritized sustainable development in this Report.

The Group will remain true to the original aspiration and uphold the spirit of "Ceaseless self-improvement, learning and innovation". With our solid belief and footsteps, we believe we can realize our vision steadily. We will gradually move towards the business and sustainable development goals we set and create long-term value for the Group and all sectors of society.

Mr. Hu Wei
Chairman and Executive Director
April 2022

ABOUT US

Founded in 2000, the Group is an industry-leading logistics infrastructure service provider. It is principally engaged in the provision of integrated solutions for the design, development, leasing, operation and management services of logistics infrastructure to customers.

Our core advantages consist of high-quality services, first-class logistics facilities and strategic geographic layout. In the provision of solutions, an overarching priority is given to customers' demands. In line with the Group's expansive network of logistics parks and professional first-class warehouse design standards, we expect to offer standardized logistics warehousing services featuring high-quality, efficient and reliable, so that customers are enabled to grasp the logistics advantages across the country.

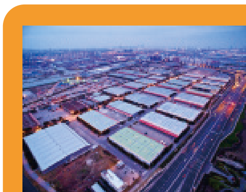
During the Reporting Period, the Group settled in the logistics hubs in 19 provinces or centrally administered municipalities in the PRC. The total area of the logistics parks managed and operated by us[1] has exceeded 5.7 million square meters. The distribution by development progress is as follows:

Total area reserved for development

0.7 M m^2

Total area of logistics parks under construction

0.4 M m^2



Total floor area of logistics parks completed

4 M m^2

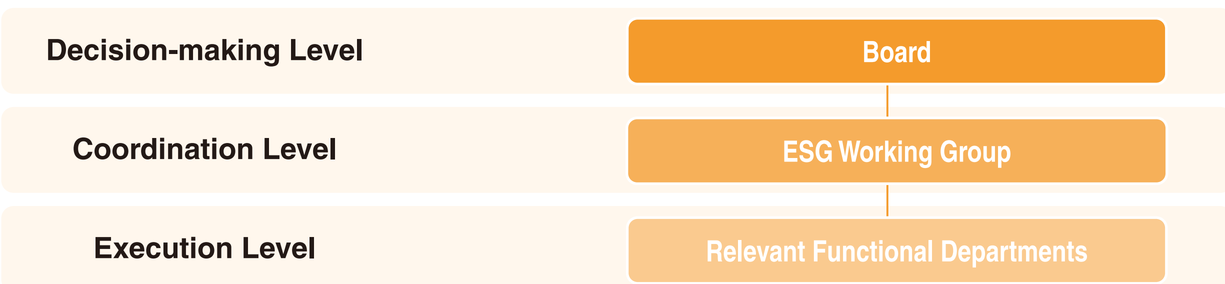
1 The total floor area includes logistics parks that have been completed, are yet to be developed and under construction, and investments accounted for using equity method.

OUR APPROACH TO SUSTAINABLE DEVELOPMENT

As a socially responsible company, we adopt high standards of corporate governance, and integrate environmental and social considerations and elements into our business decisions to improve our sustainability performance. We continue assessing the ESG-related risks and opportunities, and pledge to provide quality services to customers, so as to build a good reputation in the industry.

GOVERNANCE SYSTEM FOR SUSTAINABLE DEVELOPMENT

In an effort to strengthen the ESG supervision and control of the Group, we have established a sound and robust sustainability governance structure. Such specific structure facilitates different individuals to understand their roles and responsibilities with perseverance, in order to effectively manage ESG-related issues and topics, and also encounter relevant risks and opportunities. Taking ultimate responsibility over sustainability governance in the Group, the Board formulates and regularly reviews ESG strategies to align with our market positioning and long-term growth. We also regularly review the Group's goals and progress, to ensure the effectiveness of our risk management and internal control system. During the year, the Board has established the ESG Working Group (the "Working Group") for planning and coordinating purpose. It reports sustainability performance and sustainability-related risk assessment issues, and make feasible recommendations to the Board; and supervises and facilitates the planning and implementation of ESG-related matters of relevant functional departments. The Working Group consists of senior management from various departments of the Group. Relevant functional departments under the Working Group are required to assist in executing and implementing the ESG plans developed to achieve our goals.



STRATEGY OF AND RISK MANAGEMENT POLICY FOR SUSTAINABILITY

We have implemented ESG strategies and policies to integrate sustainability into our daily business operations. While striving to expand our business, we pledge to minimize our environmental impact. The Working Group reports and makes recommendations to the Board by consistently assessing, monitoring and improving the Group's performance in four key aspects (see the right picture). Following a comprehensive review, the Board will optimize the current sustainability strategies and measures based on the previous results and discussions of the relevant policies.

During the year, we continued to strengthen our rigorous and effective risk management and internal control system, and included consideration of ESG-related risks (including climate risks) in our risk management framework, which was applied in our daily business operations to ensure timely response to the ever-changing market environment. Each functional department is responsible for identifying and evaluating major risks that may arise during daily operation, including climate risks, and reporting them to the Working Group on a regular basis. The Working Group, together with the internal audit department, will review the overall risk management and internal control system, determine responses based on the Group's risk appetite, update the risk management manual, and properly manage risks that may impact the Group. The Board is equipped with the ultimate monitoring function of risk management, to ensure the compliance and steady operation of the Group through effective risk assessment.

CONSISTENCY WITH SUSTAINABLE DEVELOPMENT GOALS

The 17 United Nations Sustainable Development Goals for 2030 (the "**UNSDGs**") which have been globally agreed, state the development direction and needs of the world, and, at the same time, also provide enterprises, expected to work together to build a better society, with multi-dimensional considerations when developing or reviewing their business goals. The Group is aware of the significance and necessity of the UNSDGs, and has identified the UNSDGs related to our business, and practiced relevant initiatives in this priority area to make contributions to the UNSDGs. The following are the UNSDGs we have identified that are consistent with the Group's operations.

STAKEHOLDER ENGAGEMENT

We have identified stakeholders coming from different sectors, including customers, suppliers, employees, investors, etc. Their expectations and opinions are an integral part of the formulation of our sustainability strategy. Through the following various communication methods and channels, we deepen the communication and exchanges with various stakeholders, which showcases the Group's philosophy and practical actions while fully understanding their needs, so that we are able to formulate more comprehensive plans to improve our sustainability performance.

Identified Stakeholders	Communication Channels	Expectations and Concerns	The Group's Responses
Employees	— Internal emails and publications — Competitions and team building activities — Staff training — Channels for employees to reflect their opinions — Corporate WeChat	— Employees' rights — Safe and comfortable working environment — Salary and benefits — Promising career development	— Provide diverse employee activities to enhance their sense of belonging — Provide appropriate trainings to enhance employees' competitiveness — Strictly abide by the "Labor Law of the PRC" to ensure that employees' legal rights and benefits are met — Strictly comply with corresponding national fire safety regulations and conduct regular fire drill to ensure the employees safety
Community	— Community activities — Charity donations	— Corporate social responsibility	— Increase community investment and encourage employees to take active part in community activities to contribute to the community — Formulate the "Measures for the Environmental Protection at Construction Site" and other measures to strengthen environmental protection

Identified Stakeholders	Communication Channels	Expectations and Concerns	The Group's Responses
Government	— Constant communication	— Compliance management	— Adhere to the laws and regulations — Develop internal guidelines to require all employees to strictly comply with relevant laws and regulations
Tenants	— Complaints handling mechanism — Satisfaction survey — Site-visits	— Park security — Service quality	— Regular communications with customers to improve service quality — Strictly implement a 24-hour entry and exit registration system — All visitors in the park must be accompanied by relevant persons of the Group, and unauthorized access are restricted
Investors and Shareholders	— Corporate reports and announcements — General meeting — Corporate website	— Investment return — Information transparency — Protection of shareholders' rights and equitable treatment	— Adhere to the laws and regulations — Apply a top-down approach towards potential risks by establishing a comprehensive risk management system — Publish financial result, circular and announcement as and when appropriate
Suppliers	— Supplier assessment	— Establishing a long-term partner relationship	— Establish "Yupei Group Asset Management Instruction Manual", setting out the procedures for regular supplier's assessment

MATERIALITY ASSESSMENT

During the Reporting Period, we have engaged an independent consultant to assist the Group in conducting a stakeholder survey to collect views from our stakeholders regarding our ESG issues. We have applied a three-step approach to identify and prioritize relevant ESG issues to facilitate our management and relevant disclosure.

Step 1: Identify ESG issues

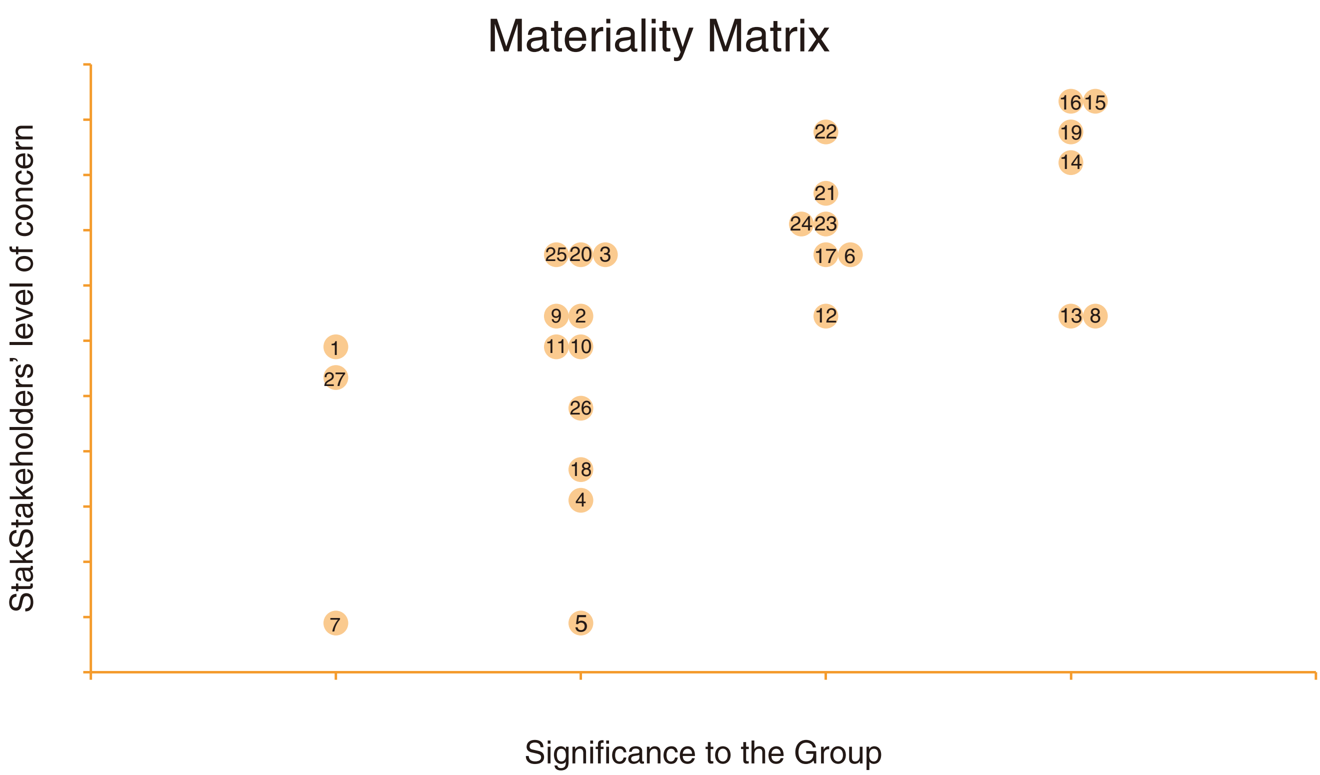
Based on the results of past and existing stakeholder communication and the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange, 27 ESG issues were identified. Compared with the last year's report, ESG issues identified were reduced by 8 in this year, mainly because the Group combined the repetitive ESG issues in the logistic park construction and daily operations and removed the issues irrelevant to the Group's operations in this year. Since we believe that those similar ESG issues are equally important in both park construction and daily operations, we proceed to combine them together.

Step 2: Gather stakeholders' opinions

We sent our stakeholders questionnaires to rate each ESG issue over their importance to the Group from 1 to 6 ("1" means the least important and "6" means the most important) to gather their ratings and opinions on the performance of each ESG issue.

Step 3: Prioritize ESG issues

The results of the questionnaires will be analysed and concluded in a materiality matrix, demonstrating the importance and impact of 27 ESG issues towards the stakeholders and the Group's business. A total of 12 material ESG issues were identified this year. We have responded to and elaborated on those prioritised ESG issues in different sections of this Report.



1 Exhaust Gas Emission Management
2 Wastewater Management
3 Treatment of Construction Waste and Other Non-hazardous Waste
4 Greenhouse Gas Emissions Management
5 Use of Natural Resources
6 Energy Conservation Measures
7 Climate Change
8 Treatment of Household Refuse and Other Non-hazardous Wastes
9 Construction of Green Warehouse
10 Noise Pollution Management
11 Supplier Environmental and Social Performance Assessment
12 Suppliers Management Process
13 Supervision of Construction Quality
14 Logistics Park Security and Safety
15 Emergency Response Plan
16 Customer Satisfaction
17 Intellectual Property
18 Marketing and Advertising Management
19 Anti-Fraud and Anti-Corruption
20 Employee Benefits
21 Anti-discrimination, Diversity and Equal Opportunities (Age, Gender, Disability, etc.)
22 Occupational Health and Safety
23 Training and Development
24 Prevention of Child and Forced Labor
25 Employment Relationship and Communication with Employees
26 Charitable Donations
27 Organization of Public Welfare Activities

The above are the 27 ESG issues identified during the year. The issues within the range marked on the upper right of the matrix are those that have a greater impact on the business development of the Group and are of the greatest concern to stakeholders. In addition to those rated as material in the past, issues, including anti-corruption, treatment of household refuse and other non-hazardous, anti-discrimination, diversity and equal opportunities, prevention of child and forced labor and intellectual property, have been elevated as one of those issues with greatest concern from the Group as compared with the previous year. The following table shows the reporting chapters where we respond to such important issues.

Important issues identified (1 represents the highest importance)	How we respond (sections in this Report)
1. Emergency Response Plan	Logistics Park Security and Control
2. Customer Satisfaction	Customer Satisfaction
3. Anti-Fraud and Anti-Corruption	Combating Corruption and Maintaining Corporate Integrity
4. Logistics Park Security and Safety	Logistics Park Security and Control
5. Treatment of Household Refuse and Other Non-hazardous Wastes	Waste Management
6. Occupational Health and Safety	Occupational Health and Safety
7. Supervision of Construction Quality	First-Class Quality Warehouse and Logistics Facilities
8. Anti-discrimination, Diversity and Equal Opportunities (Age, Gender, Disability, etc.)	Employment Practices Diverse and Balanced Work Environment
9. Training and Development	Employee Development and Training
10. Energy Conservation Measures	Energy, Greenhouse Gas and Exhaust Emission Management
11. Prevention of Child and Forced Labor	Employment Practices
12. Intellectual Property	Privacy and Intellectual Property Protection

ADVOCATE GREEN OPERATIONS, WORK TOGETHER TO CREATE A GREEN ENVIRONMENT

As a domestic leading logistic facilities services provider, we are facing various types of environmental risks, including but not limited to air quality, climate change and water pollution. In view of this, we took the lead in implementing a number of environmental protection policies to reduce the impact on the environment caused by daily operations of the Group. Through different environmental protection measures and solutions, we ensure that while providing high-quality services to our customers, we strive to manage business-related environmental risks, and implement specific and effective preventive and remedial measures according to the actual circumstances and feasibility, and create a green environment with various stakeholders. During the Reporting Period, we strictly complied with the Environmental Protection Law of the People's Republic of China, Environment Impact Assessment Law of the People's Republic of China and other environmental protection laws and regulations. We have not found any violations of relevant laws and regulations on exhaust gas and greenhouse gas emissions, sewage discharge to water and land, hazardous and non-hazardous waste disposal, etc.

Key Environmental Performance[2]

Description	Unit	2021	2020
Air Emission			
Nitrogen oxides (NO_x)	kg	**479.26[3]**	91.73[4]
Sulphur oxides (SO_x)	kg	**100.30[3]**	17.16
Particular matters (PM)	kg	**4.92[3]**	1.35
Greenhouse Gas ("GHG") Emission[5]			
Total GHG emission	tCO_2e	**9,250.10[3]**	8,072.41
Direct emission (Scope 1)	tCO_2e	**565.79[3]**	116.34
Indirect emission (Scope 2)	tCO_2e	**8,798.34**	8,059.64
Emission reduction (Scope 1)	tCO_2e	**114.03**	103.57
Total GHG emission per sq.m. (Scope 1 & 2)	tCO_2e	**0.015[3]**	0.016
Energy[6]			
Total energy consumption	MWh	**17,276.08[3]**	9,990.79
Purchased Electricity	MWh	**14,420.40**	9,302.93
Solar Energy Purchased	MWh	**61.15**	142.64
Diesel	MWh	**46.01**	36.42
Petrol	MWh	**43.20**	52.15
Natural gas	MWh	**2,705.32[3]**	456.65
Total energy consumption per sq.m.	MWh	**0.03[3]**	0.02
Non-hazardous Waste			
Total non-hazardous waste	tonnes	**7,841.01**	4,566.64
Non-hazardous waste per sq.m.	tonnes	**0.013**	0.009
Water[7]			
Total water consumption	m^3	**121,671.45**	75,183.11
Water consumption per sq.m	m^3	**0.20**	0.15

2 The environmental KPIs are calculated based on the overall environmental performance of a logistics park (only including the public areas or supporting facilities for property management and maintenance), while the intensity is calculated by division of relevant logistics parks' environmental performance by the per square meter non-rented area.

3 Some of our logistics parks will provide compressed natural gas (CNG) for heating based on the needs of the tenants. After the Group has improved the relevant environmental key performance data collection system, we started to collect the data of CNG usage in some logistics parks during the Reporting Period.

4 NOx emissions in 2020 have been restated to reflect actual situation.

5 Our disclosures on air and greenhouse gases (GHG) emissions have been prepared based on the requirements stipulated in "How to Prepare an ESG Report" published by the Stock Exchange and "GHG Protocol: Corporate Accounting and Reporting Standard (Revised Edition)" published by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). GHG emissions data is presented in terms of carbon dioxide equivalent. The data of Scope 1 (direct emissions) includes operations that are direct controlled or managed by the Group. The data of Scope 2 (indirect emissions) takes into consideration the indirect electricity consumed by the Group (purchased or sourced from external parties).

6 The data of total energy consumption includes the use of purchased electricity and fuel (renewable and non-renewable). The relevant conversion factors are calculated with reference to "Technical Note: Conversion of fuel data to MWh" published by CDP.

7 As the water supply of the Hong Kong office is controlled by the property management company, the data of certain tenants are unavailable.

Climate Change

In response to the concerns of the international community on climate change and the potential financial risks caused by climate change, the Group has incorporated the physical and transition risks related to climate change into the overall risk assessment framework since 2019, in order to identify, manage and assess material climate issues affecting the Group, and formulate responses based on the Group's risk appetite. The followings are potential climate risks and corresponding actions after assessments:

Identified material climate risks	Impact	Mitigation measures
Physical Risks		
Facing natural climatic reasons of force majeure (heavy rainfall, hail, continuous high temperature, etc.)	Causing loss of assets for the Group	• The Company maintains insurance for important assets and implements risk transfer to the greatest extent possible. • The Company will strengthen the training and drills of relevant emergency plans, so as to be able to make timely and proper responses to unexpected weather.
Transition Risks		
Failure to comply with national laws and regulations related to environmental protection	Potential exposure to governmental investigation and penalties such as fines, suspension of production and termination of business, for related economic, administrative and criminal responsibilities.	• The Company has established ESG-related rules and regulations in terms of environmental protection, safe production and other areas pursuant to the provisions under national laws and regulations combined with the actual situation. • The Company regularly monitors and improves the ESG performance with reference to the requirements under the Listing Rules of the Stock Exchange. • Each park collects information regarding the laws and regulations issued by the local government and operates in compliance with those laws and regulations.
Public demands in environmental protection and media supervision	Impacting the reputation of the Company	• The brand development department keeps paying attention to and maintains the public relations of the Company, and regularly supervises the ESG performance of the Company.

Energy, Greenhouse Gas and Exhaust Emission Management

Due to the nature of the Group's business and operations, electricity consumption is our major source of GHG emissions and energy consumption. During the Reporting Period, in order to reduce additional and unnecessary energy consumption, we have implemented the following power-saving measures, including but not limited to:

- install sub-meters at the construction site and living area so that the designated personnel can analyze the electricity consumption data and ensure the reasonable electricity consumption in each area;
- prioritize the use of electromechanical equipment and systems with higher energy efficiency;
- remind employees to turn off idle electrical appliances and office equipment, such as computers, air conditioners, lights, etc.; and
- install and use solar panels to generate electricity in the logistics parks to increase the application of renewable energy.

Other source of GHG and exhaust emissions from project construction and development, vehicles and machineries in the logistics parks. Therefore, we require all project contractors to comply with the Group's environmental requirements over construction, such as water sprinkling for dust suppression during excavation, burying and crushing works, and dust control procedures such as covering, curing, greening and hardening. We have also implemented the recommended measures in the Environmental Impact Assessment Report to ensure that the air pollution generated during construction complies with "Atmospheric Pollution Prevention and Control Law of the PRC", "Integrated Emission Standard of Air Pollutants" and other relevant national air quality standards. Our engineering management department also regularly reviews the effectiveness of relevant procedures or measures against the latest relevant regulatory requirements, and continue to improve the intensity of emission control. In addition, we also procure and advise our contractors to prioritize high-efficiency construction equipment and mechanical and electrical systems, and always remind employees to pay close attention to the use of relevant equipment and shut them down when it is in idle use and perform regular maintenance.

In order to effectively enhance and evaluate our social responsibility to protect the environment, our initial target is to strictly implement measures to enhance emission reduction and to improve energy efficiency. In the future, we will gradually reduce exhaust and carbon emissions and energy consumption, and strive to meet the national strategic goal of achieving carbon neutrality by 2060.

Waste Management

The Group strives to minimize environmental pollution in daily operations, and identifies and controls the generation of wastewater and waste. We uphold the philosophy of "Source Reduction, Garbage Sorting" towards waste management, and continue to review the current waste management measures and explore more effective disposal methods. We expect to implement management digitization in the next few years and continuously reduce paper consumption.

Area	Type of waste generated	Disposal methods and environmental protection measures
Logistics parks and offices of the Group	(1) Domestic waste (2) Office paper	• Within the Group's jurisdiction, we will appoint qualified professional cleaning and transportation agencies to clean up logistics parks every day. • The waste generated by tenants and their related parties will be processed themselves through engaging qualified third-party agencies in accordance with the lease agreement. • We have also set up recycling bins in the logistics parks and offices with clear guidelines to encourage tenants to support recycling. At the same time, tenants are also offered with recycling guidelines and encouraged to make good use of the waste sorting and recycling facilities in the parks. • In order to reduce paper consumption, we put up notices in the offices to encourage employees for double-sided printing and reusing paper as practically as possible to reduce waste. • Old used wooden pallets for carrying goods are collected, and recycled into wooden fences, and then placed on the periphery of the logistics parks.
Construction site	(1) Domestic waste (2) Construction waste (3) Earthwork (4) Wastewater	• Solid waste is processed pursuant to the "Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes"; and wastewater is treated within standards, including "Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant" and "The Reuse of Urban Recycling Water — Water Quality Standard for Urban Miscellaneous Water Consumption". • We provide classified recycling containers at construction sites to encourage our staff to collect recyclable solid waste, such as paper, scrap steel materials, etc., which are then delivered to qualified recyclers. • Excessive earthworks and construction materials are backfilled on the sites where they are generated, whereas the waste that cannot be recycled or reused is collected by the environmental protection team for proper central treatment to prevent secondary pollution. • The domestic water generated during construction and the construction water generated from carwash, sedimentation tank and other facilities cleaning would not be discharged directly. • All the sewers in our construction sites are connected with waterproof ceramics to prevent sewage permeation which may pollute underground water.

No hazardous wastes and packaging materials as defined by regulations are generated during the business operations of the Group. Therefore, the relevant disclosure is not applicable.

Water Management

The water resources used are all derived from municipal water supply. Thus, we have no issue encountered in water sourcing. The Group understands the preciousness of water resources, so we have installed zoned water meters in the logistics parks and construction sites. We also employ the “polluter pays principle” to charge the household according to their water meter reading, so as to monitor water consumption and reduce wasted water. The followings are our additional water saving measures:

- use water saving valves for all faucets at the construction sites to maximize water usage efficiency;
- assign responsible personnel for regular inspection of water pipes in each logistics parks, to minimize exposure to water leakage or seepage;
- collect rainwater and domestic sewage after sewage treatment for drip irrigation and road washing; and
- utilize precipitation from foundation pit for other purposes in construction such as dust reduction, vehicle washing, toilet flushing, concrete curing in structural construction and construction water in a secondary renovation.

In addition to implementing water conservation measures in logistics parks, we also provide training to employees on water conservation. Meanwhile, a reminder of water conservation is posted in the office to actively encourage them to cherish water resources, in order to improve employees’ awareness of water conservation in the coming years, thereby reducing water consumption.

Noise Pollution Management

During the engineering development phase of a project, it is inevitable that the engineering process and construction machinery will generate noise that affects the neighboring community. We strictly follow the “Emission Standard of Environment Noise for Boundary of Construction Site” and the “Law of the PRC on the Prevention and Control of Pollution from Environmental Noise”, and request the engineering contractors to reduce the duration of construction work during the night and special periods (e.g., within the period of 15 days before and during high school and college entrance examinations). Closed shelters, inside the construction area, are set up as far as practicable from the residential area. We also require the use of all electric saws, planers, mixers, fixed concrete pumps, large air compressors and other equipment generating extensive noise to be carried out in the shelter to reduce the impact on the local residents. Besides, we require workers to use machines and equipment with qualified noise emission standards during construction, and utilize noise elimination devices during the operation of the machines and monitor noise levels to ensure that it meets the national “Environmental Quality Standards for Noise” or other local noise emission standards. The engineering contractors shall also comply with the Type 3 standard under the “Emission Standards for the Noise at the Boundaries of Industrial Enterprises”, to ensure that the noise level is kept less than 65dB and 55dB during daytime and night time, respectively after adopting the aforementioned noise reduction scheme.

Green Construction and Development

The Group mainly develops the acquired land through its own proprietary project design methods and construction standards, and the land will be built into a standardized logistics park project. We have established the Project Development and Construction Management System, and established a series of procedures from the planning, preliminary, construction to delivery stages of the project. We also design projects for each case to ensure that the development project can be completed within the expected timeframe to avoid project delay which may produce excessive negative impact on the environment and community.

In addition, we acknowledge that shortening vehicles travelling distance helps reduce GHG emitted and noise generated in transportation, thereby reducing the impact of the business on the local environment and community. Since the travelling distance of customers' vehicles is affected by the geographic location of the logistics parks, we prudently select logistics parks' location. We engage qualified third-party professional consultants to conduct on-site inspections and assessments during initial site selection, to understand the possible impact of the relevant land-development and construction on the local environment in terms of air quality, water quality, geology, ecological environment and biodiversity. The analysis results obtained are then reviewed and approved by the local environmental protection authority. We only commence the construction process upon obtaining relevant approval from the relevant authority over the selected site.

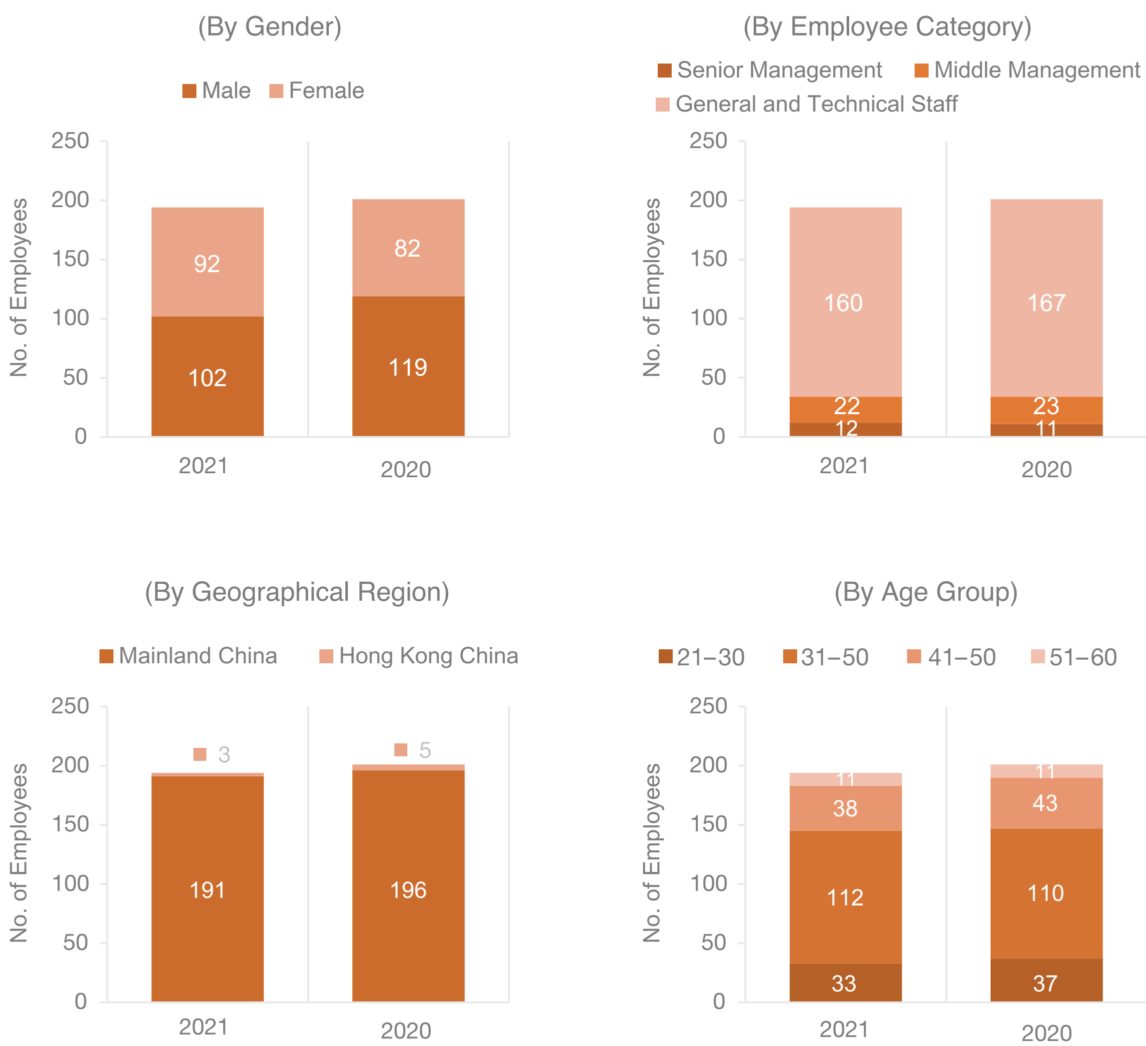
Since 2021, we require all new projects and projects under construction but not yet been completed to comply with the domestic laws and regulations related to construction, including the aforementioned standards related to exhaust emission, noise management, waste and wastewater disposal, etc.

STAY PEOPLE-ORIENTED AND CREATE MUTUAL VALUE WITH EMPLOYEES

We consider employees as valuable assets of the Group. We also believe that the achievements of the Group depend on the contributions of our outstanding talents. Therefore, the well-being of our employees is our top priority. We strive to provide employees with a supportive, pleasant and healthy working environment, aiming to build a small caring community. During the Reporting Period, the Group confirmed that no significant violations related to employee's remuneration, dismissal, recruitment, promotion, working hours, holidays, equal opportunity, diversity, discrimination and other employee welfare issues had been noted.

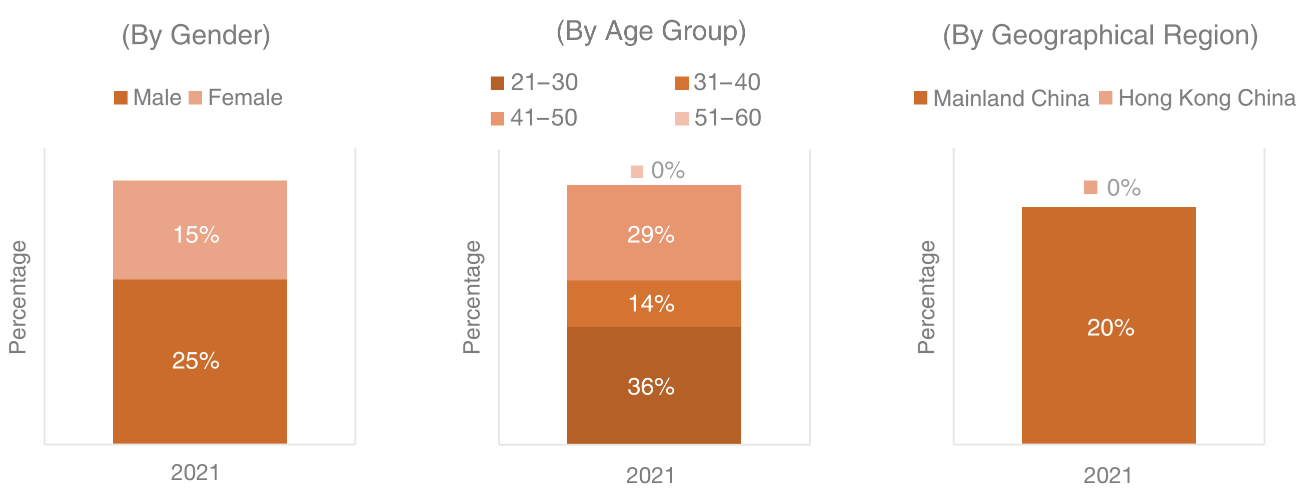
Employee Overview

Employee Distribution[8]



8 All employees during the reporting period were full-time employees.

Employee Turnover Rate in 2021[9]



Employment Practices

The Group has formulated our optimized and compliant employment system in accordance with relevant domestic laws and regulations, including the "Labor Law of the PRC". The Group has set out the "Employee Handbook" and "Yupei Management Policy" standardizing human resources management. Based on the Group's "virtue guided and merit based" recruitment philosophy and the principles of "openness, fairness and legitimacy", we attract talents through multiple channels, including campus recruitment, recruitment fair and external referral, etc. For recruitment, training, promotion, transfer, remuneration, benefits and termination of labor relationship, we focus on the capability of the applicants and ensure no discrimination in age, gender, family status, race, color, sexual orientation, religious belief, nationality, political relationship, disability, marital status or other factors, providing equal employment opportunities.

In addition, the Employee Handbook of the Group has set out a clear policy prohibiting the employment or use of child labor and forced labor in any part of the business operation. Our administrative and human resources department is responsible for checking the applicants' identification documents at the time of recruitment to ensure that they reach the legal working age in accordance with the local laws and regulations before continuing the recruitment process. We also have a whistle-blowing mechanism for employees to report any non-compliance to the human resources department. If any uses of child labor or forced labor are identified, concerned employees shall be immediately removed from the workplace. The administrative and human resources department is required to understand and verify the situation, and sends the concerned employees for physical examination, through an institution specialized in occupational labor health inspection, to confirm his physical and mental health. After that, the administrative and human resources department needs to identify any deficiencies during recruitment process in due course, and implement improvement measures within the coming 90 working days. During the Reporting Period, the Group confirmed that there was no reported case of child labor or forced labor.

Employees remunerations packages are determined taking reference to employees' capabilities. We offer employees with competitive remuneration packages based on their overall work performance. We also offer employees bonuses based on their departments' performance and their own work performance so as to reward their work performance with incentives. We will also review and adjust their remuneration level based on supply and demand of talents in the market, price levels and other

9 Due to the improvement of the data collection system, we started to disclose employee turnover ratio in this year and will provide comparable data in following years.

factors. The Group also determines the working hours of its employees and provides them with statutory holidays and benefits in compliance with the laws, including social insurance and housing provident fund. We do not encourage employees to work overtime. If overtime work is needed, approval is required in advance, and employees will be compensated for leave equivalent to the number of days of the overtime work, to avoid employee overwork.

Diverse and Balanced Working Environment

The Group is committed to creating a diverse and inclusive working environment and maintaining close communication between the Group and its employees. We regularly release the latest notices to employees through our website, internal publications and bulletin boards. We also have multiple complaint channels in telephone, email, fax and post, so that employees can seek assistance when needed. It also ensure that whistle-blowers are well-protected to show our zero-tolerance approach to harassment and discrimination in the workplace. In addition, to promote a healthy work-life balance, the Group has established libraries, yoga studios, sports venues and other facilities, and regularly organizes sports and recreational activities, encouraging employees to exercise more and enrich their spare time life. Gifts are distributed to employees during festivals such as Dragon Boat Festival and Mid-Autumn Festival to ensure we can share the festive joy with them.

"Passing on the Beauty of Calligraphy and Praising the Centennial Birthday" Book Day

In response to the 26th World Book Day, we held a sharing activity for employees to experience calligraphy and reading experience. We invited teachers from Shanghai Art & Design Academy to share their calligraphy learning tips and experience for this special occasion. We let employees create and copy calligraphy on the spot, experience the joy of calligraphy, and feel the charm of traditional Chinese culture. Meanwhile, we also hope that employees can relax their minds and balance their physical and mental health in their spare time by focusing on calligraphy and reading.

Occupational Health and Safety

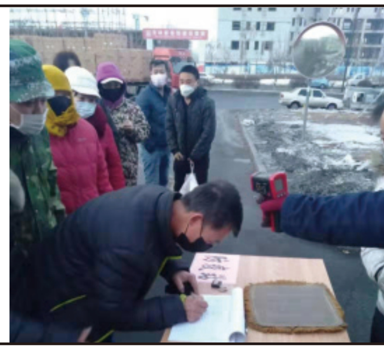
We treasure the physical and mental health of our employees. Employees need a healthy body first in order to contribute to our mutual development of the Group next. Moreover, to ensure employees safe evacuation in emergencies, we have prepared emergency plans in the "Logistics Park Management Operation Manual", which cover public security incidents, fire accidents, flooding accidents and traffic accidents to enable employees to take prompt actions to respond to emergencies. In the past three years (including the Reporting Period), there has been no work-related fatality. During the Reporting Period, there were no loss of working days due to work-related injury. We also confirmed that no major work injuries and significant violations related to safe working environment and employees' occupational health had been reported.

Shenyang Yupei Shenbei Logistics Park — Fire Drill

Fight Against the Pandemic

During the Reporting Period, the operation of majority of our logistics parks was not suspended by the government authorities under the raging pandemic. We would like to pay tribute to the employees stayed on the front line to maintain the normal operation of the parks during the epidemic. To safeguard the health of employees and their families as well as prevent infection and the spread of the epidemic, we have implemented a series of measures to combat the epidemic:

Regularly disinfect public area of the parks



Check body temperature for visitors

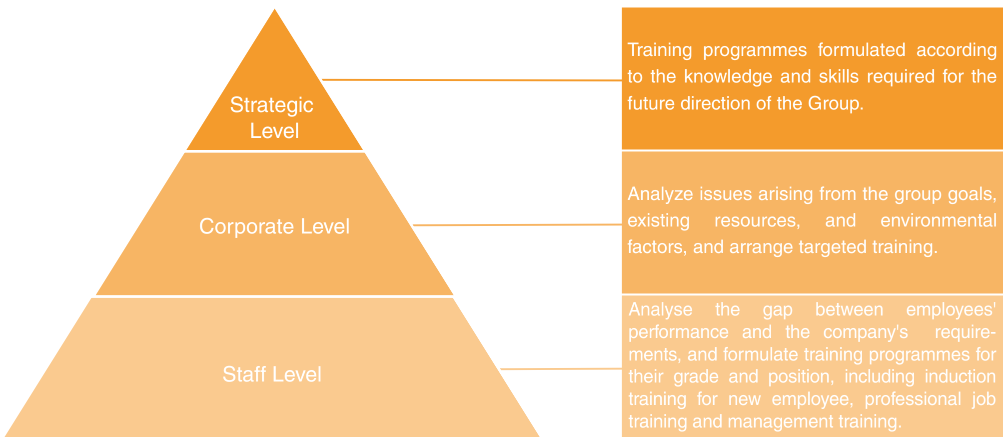
Implement park access management

Provide sufficient anti-epidemic equipment

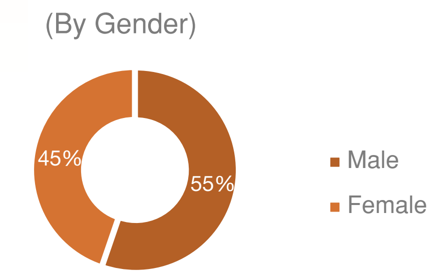
Employee Development and Training

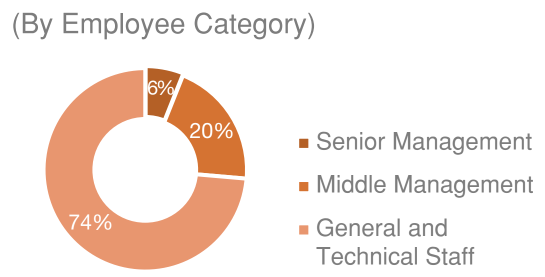
We place strong emphasis on cultivating talents and have established a sound and comprehensive training system to provide employees from different levels and positions with appropriate growth programmes, to meet their development needs. We deeply believe that win-win situation can be achieved between employees and the Group by aligning the values of employees with our vision.

Our training programmes are mainly structured in three levels, including the staff level, the corporate level and the strategic level. It mainly focuses on employees' occupational skills and quality to ensure that they are equipped with sufficient professional knowledge and skills to cope with routine work and changing business environments. Other than regular internal training, we also periodically provide various external online training courses to employees through emails. Employees can attend training courses according to their personal interests, to flexibly pursue continuous education and self-improvement without geographical restrictions.

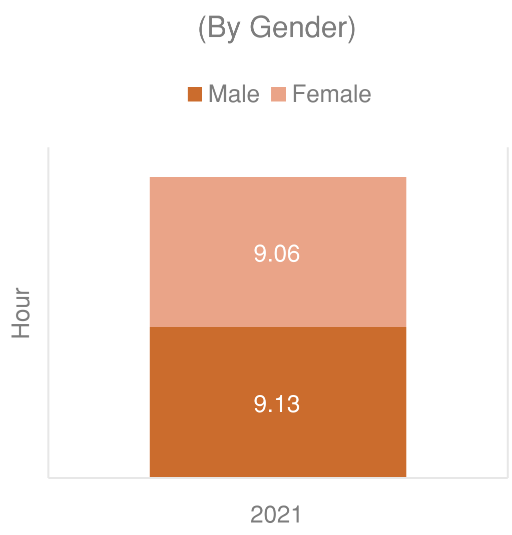


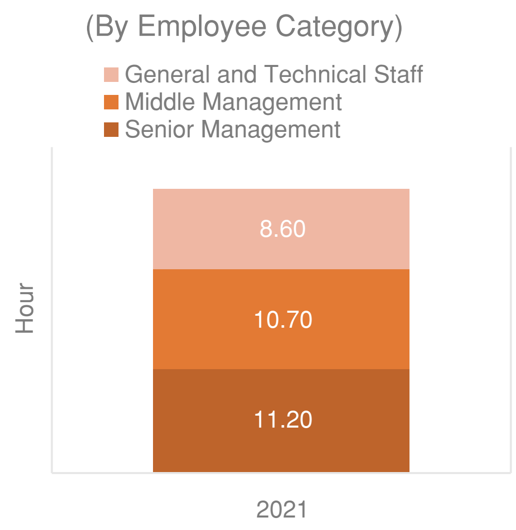
Employee Training Ratio in 2021[10,11]





Average Training Hours for Employees in 2021[10, 11]





10 Due to the improvement of the data collection system, we start to disclose the analysis of employee training ratio and average training hours completed this year and will provide comparable data in following years.

11 Data of departing employees has also been included.

COMBATING CORRUPTION AND MAINTAINING CORPORATE INTEGRITY

The Group upholds high standards of business ethics and attaches great importance to operational compliance. The Group strictly abides by laws including the Criminal Law of the PRC and Anti-Unfair Competition Law. During the Reporting Period, the Group had no significant violation in relation to preventing bribery, extortion, fraud and money laundering, and also confirmed that there was no corruption case brought up against the Group or its employees.

All directors of the Group received training on corporate governance at the time of joining the Group. Anti-corruption training are also arranged according to the actual needs to ensure that directors are aware of their fiduciary duties. To enhance anti-corruption awareness and business ethics level of our employees, they are required to sign the Integrity and Self-discipline Commitment, setting out a stringent code of conduct for work, when joining the Group, and abide by the integrity requirements of our Anti-Corruption Compliance and Integrity Practice and Employee Handbook. Employees who violate the rules or are involved in any unethical behaviour will be subject to disciplinary action depending on the severity of the incident. During the Reporting Period, 100 of our directors and employees have received training on anti-corruption.

In September 2021, our directors and employees were invited to participate in anti-corruption training, to learn about the laws and regulations on anti-corruption and our Anti-Corruption Compliance and Integrity Practice, procedures for handling violations, reporting channels and policies. Employees also obtained a better understanding on specific violations through case studies. In addition, on 24 December 2021, employees were arranged to voluntarily participate in a live online course hosted by LCOUNCIL on strengthening internal anti-corruption in enterprises. Professional lawyers explained measures for combating corruption from the perspective of corporate legal affairs and provided experience guidance.

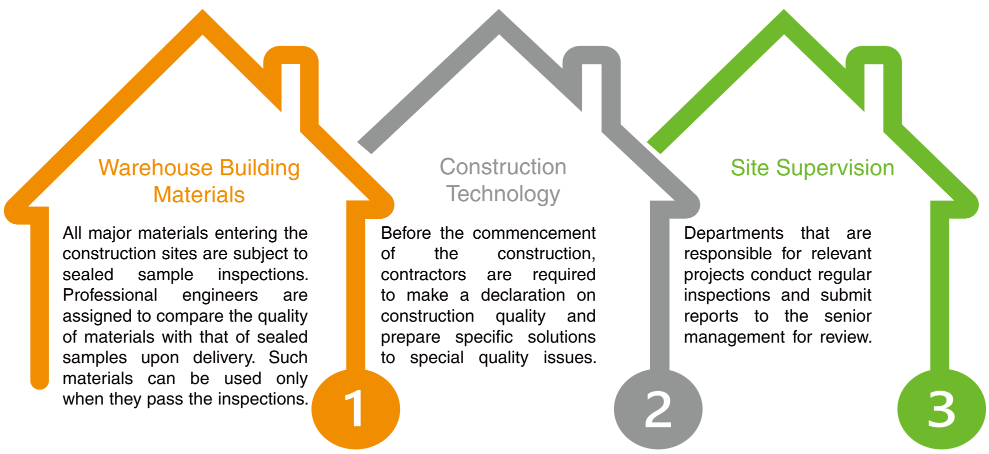
In addition, we have established whistle-blowing procedures for external and internal stakeholders of the Group to report any suspected violations, thus maintaining an open, fair and equitable corporate operating environment and safeguarding the integrity and reputation of the Group. We encourage employees to report to our legal or audit department by the announced public email and contact number so as to implement oversight. To protect the rights and interests of whistle-blowers, the confidentiality policy is in place for protecting the identity of whistle-blower and the reported content, to ensure the confidentiality of the relevant content.

QUALITY SERVICE, CUSTOMER FIRST

The Group is devoted to providing customers with quality services. In addition to extensive geographical coverage, we also strive to meet customers' needs in all aspects through standardised warehouse design, 24-hour operational support and nearby and comprehensive transportation facilities. Our business nature is service-oriented. The relevant disclosure is not applicable as our business does not involve sale or transportation of products.

First-Class Quality Warehouse and Logistics Facilities

We implement standardised construction and management to all warehouses in our logistics park. Our requirements for the carrying capacity, coverage area, overall structure, fire prevention and safety measures of the warehouses have been always maintained at the highest level. Our Project Development and Construction Management System clearly states the construction and professional technical plans for warehouses. Strict procurement approval and acceptance procedures are in place for the pre-construction and construction stages, to prevent from jerry-building or non-compliance with any safety standards.



In addition, our logistics parks are also equipped with convenient loading and unloading facilities and are adjacent to a comprehensive transportation network, thus customers could easily access goods around the clock.

Customer Satisfaction

The Group believes that customer satisfaction is a direct reflection of our service and management quality of our logistic parks. The Group has therefore set up 400 service hotlines. Our customer service department listens carefully to customers' opinions according to the established customer communication and complaint handling procedures to ensure that all complaints are properly handled. During the Reporting Period, we received 2 complaints concerning our services, all of which were properly resolved before the reporting date.

In addition, our property assistants would regularly visit customers who have requested maintenance services to timely understand the reasons for warehouse damage and continue to follow up on the maintenance situation. To further enhance our service quality, the Group periodically conducts satisfaction surveys with customers and invites them to rate the equipment and service experience of each park. The rating will then be submitted to the property management department for analysis to generate data for optimisation to ensure that we can maintain the highest standard of service quality.

Logistics Park Security and Control

To provide customers with a safe and reliable storage space, we have established a series of strict security measures to maintain the security of the parks. All the logistic parks are equipped with 24-hour surveillance systems. Security guards perform duties on time and are responsible for parks' visitor registration. Flammable, explosive, highly toxic and other dangerous materials are prohibited in the park. Any person suspected of possessing suspicious items are subject to examination before entering the parks. It is our responsibility to safeguard the safety of customers' properties inside the warehouse. We have therefore clearly defined areas for open flame and designated smoking areas to reduce fire risks to a manageable level. Besides, for emergencies that may affect the assets or safety of customers, including power outages, fires, flooding, and heavy snowing, the Group has formulated comprehensive emergency plans to safeguard the safety of life and property in the park.

Privacy and Intellectual Property Protection

The Group takes a cautious approach to handle and keep personal information and data of customers and employees. All the internal confidential information relating to customers and the Group, such as customer and goods information, filing information of the parks, company internal information and personal data of employees, are encrypted, and is only accessed by authorised personnel. Personnel who would like to collect or use such information are required to comply with the relevant regulations on data protection and in compliance with the personal information and privacy management policy of the Group. Furthermore, all employees are required to sign a confidentiality agreement at the time of joining the Group and keep all files, hard disks, and other media containing confidential information properly. Disclosure of relevant data to a third party without authorisation is strictly prohibited. To protect the privacy of customers and employees, the images of surveillance systems of the parks could only be obtained and accessed by authorised personnel and will be deleted after the retention period.

The intellectual property we own are mainly the trademarks and domain names of the Group. We have registered trademarks and domain names with relevant administrative authorities in the PRC and Hong Kong in accordance with the Intellectual Property Law of the PRC, the Trademark Law of the PRC, CNNIC Implementing Rules of Domain Name Registration and other relevant regulations. Those trademarks and domain names are subject to annual review and renewal before expiry to ensure our rights to use the intellectual property. During the Reporting Period, we were not aware of any material violations in relation to health and safety, advertising, labelling, privacy and intellectual property of the services we provided.

Supply Chain Cooperation

The Group's major suppliers are companies that provide us with property management, repair and maintenance and cleaning services. During the Reporting Period, we cooperated with 803 major suppliers in which all of them are PRC suppliers. To ensure our service quality, we have formulated a series of supplier management systems, which strictly regulates the selection process of all major suppliers to be carried out in a fair, impartial and open bidding. We have decided certain qualified conditions for suppliers and implements standardised review through on-site inspection and comparative analysis. Qualified suppliers, after supplier assessment, are then included in our list of qualified property suppliers and become our cooperation partners in the future. We have prepared a service standard and operational requirements plan and attached to the service contracts entered with major suppliers, to ensure that suppliers clearly understand and meet our requirements in services rendering. Service quality inspections and assessments on major suppliers will be conducted by our regional property department on a regular basis. The assessment results will be reported to the leaders of the asset management department and the Group's headquarters as part of monitoring the performance of suppliers. In the event that the performance of suppliers during the regular assessment is not satisfactory or there are serious deficiencies identified, relevant suppliers are required to rectify within specified timeframe and are subjected to another round of inspection. If the supplier fails to meet the requirements after two consecutive reviews, it will be removed from our list of qualified suppliers.

With the growing public attention to sustainability issues, we gradually increase our concern to social responsibility in respect of supply chain. In addition to identifying and assessing the overall environment and society risks of suppliers through our risk assessment mechanism, we also investigate whether there is non-compliance risk attached in the performance of individual suppliers regarding to their environmental and social responsibility during evaluation and background investigation process upon accepting new and existing suppliers. In the assessment process, we consider environmental hygiene, employment management and engineering compliance as assessment criteria when evaluating their service quality. When establishing a cooperative relationship with property management service providers, we would duly signed a cooperation agreement with terms describing the code of conduct of public environment and greening management, park safety and statement of commitment for anti-corruption, to ensure that they acknowledge our requirements on environmental protection, integrity and social responsibility.

INVEST IN SOCIETY TO CREATE A HARMONIOUS COMMUNITY

As a supporter of corporate social responsibility, we promise to use our best endeavours to devote ourselves to public welfare and charitable activities and contribute to the society with the philosophy of "taking from the community and giving back to the community". To ensure the stable supply of front-line medical protective gears as well as daily necessities and anti-epidemic supplies in major cities, the Group and our employees are staying on their positions and fighting the pandemic together. Over the years, we have proactively reached out to the communities and charities where we operate, and actively carried out public welfare activities in various aspect such as healthcare and youth development to create positive value for the society. During the Reporting Period, the Group donated a total of approximately RMB130,000 to the society.

Healthcare

The novel coronavirus epidemic has affected the world and brought exceptional threats to communities, lives and public health since 2019. We therefore focused our resources on raising public awareness of preventing epidemic, promoting healthy habits, as well as supporting medical workers this year. During the Reporting Period, we participated in 8 hours of healthcare activities and donated RMB20,000.

Rainbow Heart Charity Walk (“虹心照我去益行”公益定向賽)

This year’s event, with the theme of “Saving lives”, aims to draw public’s attention to care for life and health and also enhance first-aid knowledge by means of a walking competition. The funds raised in the event will be used for the first aid system project. Our employees joined the Ruoshuixuan (若水軒) volunteer service team and completed a nearly 10-kilometer walking challenge, and won the first and third place in the Best Communication Award (最佳傳播獎). We hope that the public can “walk forward with us”.

Youth Development

We understand that young people are the pillars of society in the future. We take it as our responsibility to nurture the development of young people and hope that they can equip themselves with sufficient support and make contributions to society in the future. During the Reporting Period, we participated in a total of 6 hours of volunteer activities in youth development.

“Rainbow Kids” Blue Dreamer — “Deep Space Exploration” Science Summer Camp (“虹孩子”藍色夢想家之“深空探秘”科普夏令營)

We, together with Xinhong Street (新虹街道) and Shanghai Institute of Satellite Engineering, provide the children of migrant workers and young people in the community with opportunities to explore and understand aerospace technology of the PRC in the way of cooperation between government and enterprises. In addition to the science lectures on “deep space exploration rover” hosted by experts from the Shanghai Institute of Satellite Engineering, participant also produced the “Zhurong” Mars exploration rover under the guidance of volunteers. It is hoped that the event can stimulate children’s interest and potential in learning aerospace knowledge, and train up future talents in the aerospace field for the society.

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Independent Auditor's Report

To the Shareholders of China Logistics Property Holdings Co., Ltd
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Logistics Property Holdings Co., Ltd ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 111 to 248, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("**IESBA Code**"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment properties

Refer to Note 2(h) Investment properties, Note 3(c) Fair value estimation, Note 4(a) Fair value of investment properties and Note 7 Investment properties to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group held a portfolio of investment properties with a fair value of RMB22,859.00 million as at 31 December 2021 and a related net fair value gain of RMB163.74 million for the year then ended was recorded as "Fair value gains on investment properties — net" in the Group's consolidated statement of profit or loss and other comprehensive income. These investment properties principally comprise logistic properties and warehouse in Mainland China. The directors assessed the fair values of the investment properties as at 31 December 2021 based on valuations prepared by a firm of qualified external property valuers. The fair values are determined by using the applicable valuation methods and models which involve key estimates and assumptions, including market rents, rental growth rates, capitalisation rates, discount rates and term/reversionary yields for completed investment properties, and the developer's profit margin, expected completion dates and the costs to complete the development for properties which are vacant land or under development. We identified valuation of investment properties as a key audit matter because valuation of investment properties involves a significant degree of management judgement and subjectivity in the key assumptions used and could be subject to management bias.	Our audit procedures to assess valuation of investment properties included the following: • understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in place within the process relating to valuation of investment properties; • obtaining and inspecting the valuation reports prepared by external property valuers engaged by management and on which the directors' assessment of the fair values of investment properties was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity; • with the assistance of our internal property valuation specialists, challenging the valuation methodologies, key estimates and assumptions adopted by the external valuers without the presence of management, and assessing the appropriateness of the key assumptions used in the valuation methods and models such as market rents, rental growth rates, capitalisation rates, term/reversionary yields, the developer's profit margin, discount rates and estimated completion dates and costs to complete by benchmarking against market available data, economic and industry forecasts and relevant project plan and the budgets approved by the management; • comparing, on a sample basis, the key underlying data used in the valuation methods/models, such as contractual rents and leasehold land and construction costs, to Property certificates, signed rental contract, construction cost incurred and the construction budget; and • assessing the reasonableness of the disclosures in the consolidated financial statements in respect of valuation of investment properties with reference to the requirements of the prevailing accounting standards.

Information Other Than the Consolidated Financial Statements And Auditor's Report Thereon

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

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is FRANKIE C.Y. LAI.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 March 2022

Consolidated Statement of Financial Position

As at 31 December 2021

(All amounts in RMB unless otherwise stated)

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**36,557**	115,572
Investment properties	7	**22,859,000**	20,289,000
Intangible assets		**425**	699
Right-of-use assets	8	**—**	178,424
Investments accounted for using the equity method	9	**—**	869,370
Financial assets at fair value through profit or loss ("FVPL")	13	**—**	312,539
Long-term trade and other receivables	11(a)	**17,534**	26,918
Long-term prepayments	11(b)	**375,351**	346,494
Restricted cash	14	**20,036**	35,677
		23,308,903	22,174,693
Current assets			
Trade and other receivables	12(a)	**131,328**	165,261
Prepayments	12(b)	**140,015**	111,491
Restricted cash	14	**7,134**	300,057
Cash and cash equivalents	14	**610,509**	1,033,353
		888,986	1,610,162
Assets classified as held for sale	15	**632,427**	—
		1,521,413	1,610,162
Total assets		**24,830,316**	23,784,855
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium	16(b)	**7,142,142**	6,510,073
Treasury shares	16(b)	**(254,961)**	(97,533)
Other reserves	18	**(163,237)**	(547,380)
Retained earnings	17	**4,900,479**	4,900,007
		11,624,423	10,765,167
Non-controlling interests	36(b)	**—**	819,725
Total equity		**11,624,423**	11,584,892

Consolidated Statement of Financial Position

As at 31 December 2021 (continued)

(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**6,859,291**	6,211,033
Long-term payables	23	**94,341**	76,011
Deferred income tax liabilities	10	**2,291,464**	2,104,056
Lease liabilities	8	**—**	263,750
Convertible bonds	21	**563,602**	2,236,503
Financial liabilities at FVPL	25	**10,130**	—
		9,818,828	10,891,353
Current liabilities			
Trade and other payables	24	**350,036**	360,504
Current income tax liabilities		**68,094**	30,569
Borrowings	20	**1,964,649**	889,922
Lease liabilities	8	**2,766**	14,811
Contract liabilities	26(b)	**17,387**	12,804
Convertible bonds	21	**906,377**	—
Financial liabilities at FVPL	25	**77,756**	—
		3,387,065	1,308,610
Total liabilities		**13,205,893**	12,199,963
Total equity and liabilities		**24,830,316**	23,784,855

Approved and authorised for issue by the board of directors on 31 March 2022

Hu Wei
Executive Director and Chairman

Yang Jing
Executive Director

The notes on pages 119 to 248 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

		Year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Revenue	26	**905,035**	798,637
Cost of sales	29	**(229,830)**	(180,380)
Gross profit		**675,205**	618,257
Selling and marketing expenses	29	**(42,263)**	(34,574)
Administrative expenses	29	**(153,626)**	(117,011)
Net impairment losses on financial assets	3(a)	**(5,577)**	(1,532)
Other income	27	**22,682**	27,439
Fair value gains on investment properties — net	7	**163,740**	678,559
Fair value gains/(losses) on convertible bonds — net	21	**153,914**	(802,092)
Fair value losses on financial liabilities at FVPL	25	**(87,055)**	—
Other net gains	28	**153,956**	429,043
Operating profit		**880,976**	798,089
Finance income	31	**24,646**	35,717
Finance costs	31	**(417,115)**	(488,302)
Finance expenses — net	31	**(392,469)**	(452,585)
Share of (losses)/profits of investments accounted for using the equity method	9	**(229,502)**	9,920
Profit before income tax		**259,005**	355,424
Income tax expense	32	**(233,218)**	(288,804)
Profit for the year		**25,787**	66,620
(Loss)/Profit for the year attributable to:			
Owners of the Company	17	**(2,813)**	22,835
Non-controlling interests		**28,600**	43,785
		25,787	66,620
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB)			
— Basic	33	**(0.0008)**	0.0070
— Diluted	33	**(0.0396)**	0.0070

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2021 (continued)

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Other comprehensive income for the year, net of tax			
Items that will not be reclassified to profit or loss:			
Change in fair value of convertible bonds from own credit risk	18, 21	**(92,354)**	—
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences	18	**203**	(132,167)
		(92,151)	(132,167)
Total comprehensive income for the year		**(66,364)**	(65,547)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(94,964)**	(109,332)
Non-controlling interests		**28,600**	43,785
		(66,364)	(65,547)

The notes on pages 119 to 248 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

	Note	Share capital and premium RMB'000 (Note 16)	Treasury shares RMB'000 (Note 16)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000 (Note 17)	Total RMB'000	Non-controlling interests RMB'000 (Note 36(b))	Total equity RMB'000
		Equity attributable to owners of the Company						
Balance at 1 January 2021		6,510,073	(97,533)	(547,380)	4,900,007	10,765,167	819,725	11,584,892
Changes in equity for 2021								
(Loss)/Profit for the year		–	–	–	(2,813)	(2,813)	28,600	25,787
Other comprehensive income								
Change in fair value of convertible bonds from own credit risk		–	–	(92,354)	–	(92,354)	–	(92,354)
Currency translation differences		–	–	203	–	203	–	203
		–	–	(92,151)	–	(92,151)	–	(92,151)
Total comprehensive income		–	–	(92,151)	(2,813)	(94,964)	28,600	(66,364)
Dividends distribution to non-controlling interests	36(b)	–	–	–	–	–	(161,925)	(161,925)
Acquisition of non-controlling interests	36(b)	–	–	(68,854)	–	(68,854)	(686,400)	(755,254)
Recognition of convertible bonds reserve	21	–	–	548,433	–	548,433	–	548,433
Repurchase of shares	16	–	(157,428)	–	–	(157,428)	–	(157,428)
Issuance of shares	16	632,069	–	–	–	632,069	–	632,069
Employees share option scheme – share options expired	16, 18	–	–	(3,612)	3,612	–	–	–
Profit appropriation to statutory reserves	17, 18	–	–	327	(327)	–	–	–
Balance at 31 December 2021		7,142,142	(254,961)	(163,237)	4,900,479	11,624,423	–	11,624,423

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021 (continued)

(All amounts in RMB unless otherwise stated)

		Equity attributable to owners of the Company						
	Note	Share capital and premium RMB'000 (Note 16)	Treasury shares RMB'000 (Note 16)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000 (Note 17)	Total RMB'000	Non-controlling interests RMB'000 (Note 36(b))	Total equity RMB'000
Balance at 1 January 2020		6,442,389	–	(408,724)	4,880,762	10,914,427	824,752	11,739,179
Changes in equity for 2020								
Profit for the year		–	–	–	22,835	22,835	43,785	66,620
Other comprehensive income								
Currency translation differences		–	–	(132,167)	–	(132,167)	–	(132,167)
Total comprehensive income		–	–	(132,167)	22,835	(109,332)	43,785	(65,547)
Dividends distribution to non-controlling interests	36(b)	–	–	–	–	–	(48,812)	(48,812)
Conversion of convertible bonds to ordinary shares	21	49,549	–	–	–	49,549	–	49,549
Repurchase of shares	16	–	(97,533)	–	–	(97,533)	–	(97,533)
Employees share option scheme		–						
– Exercise of share options	16, 18	18,135	–	(10,079)	–	8,056	–	8,056
Profit appropriation to statutory reserves	17, 18	–	–	3,590	(3,590)	–	–	–
Balance at 31 December 2020		6,510,073	(97,533)	(547,380)	4,900,007	10,765,167	819,725	11,584,892

The notes on pages 119 to 248 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**621,030**	560,225
Interest received		**11,377**	23,515
Income tax paid		**(6,538)**	(8,905)
Net cash generated from operating activities		**625,869**	574,835
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(1,736)**	(4,158)
Acquisition of financial assets at FVPL		**—**	(308,940)
Acquisition of interest in Perfect Bliss Fund	9	**(926,264)**	—
Additions of investment properties		**(1,102,423)**	(1,602,071)
Additions of intangible assets		**—**	(259)
Capital injection in associates	9	**(8,548)**	(5,290)
Payment of capital gain tax on disposal of subsidiaries	32	**—**	(35,335)
Proceeds from disposal of property, plant and equipment		**10**	444
Proceeds from disposal of subsidiaries		**7,200**	568,010
Proceeds from disposal of financial assets at FVPL	13	**—**	259,191
Receipt from government for relocation compensation	12(a)	**36,029**	—
Proceeds from disposal of an investment property		**—**	350,000
Payment of relocation cost		**—**	(6,000)
Proceeds from granting of call option	15(b)	**831**	—
Payment of earnest for logistic properties		**(656,475)**	—
Repayment of earnest for logistic properties		**656,475**	—
Receipt of asset related government grants	27	**10,590**	19,600
Decrease in restricted cash	14	**100**	15,865
Receipt of advances to related parties	39(c)	**21,279**	165,247
Payment of advances to related parties	39(c)	**(7,400)**	(17,600)
Net cash used in investing activities		**(1,970,332)**	(601,296)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021 (continued)

(All amounts in RMB unless otherwise stated)

		Year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Cash flows from financing activities			
Decrease/(increase) in restricted cash	14	**308,464**	(21,500)
Proceeds from exercise of share options		**—**	8,056
Repurchase of ordinary shares	16	**(157,428)**	(97,533)
Payment of dividends to non-controlling interests	36(b)	**(161,925)**	(48,812)
Acquisition of non-controlling interests	36(b)	**(755,254)**	—
Payment of commission fees and other expenses related to issuance of senior notes	35(b)	**(1,650)**	(8,003)
Proceeds from borrowings	35(b)	**4,595,496**	3,313,395
Repayments of borrowings	35(b)	**(2,868,953)**	(3,195,582)
Payment of guarantee deposits for borrowings		**(29,414)**	(4,400)
Payment of interest of borrowings and lease liabilities	35(b)	**(486,780)**	(623,415)
Proceeds from issuance of convertible bonds		**—**	657,025
Payment of transaction cost of convertible bonds	35(b)	**(1,753)**	(25,933)
Payment of interest of convertible bonds	21, 35(b)	**(106,063)**	(66,800)
Proceeds from issuance of shares, net of issuing cost	16	**632,069**	—
Principal element of lease payments	35(b)	**(16,018)**	(13,567)
Advances from a related party	39(c)	**—**	82,391
Repayment of advances from a related party	39(c)	**(23,295)**	(59,096)
Net cash generated from/(used in) financing activities		**927,496**	(103,774)
Net decrease in cash and cash equivalents		**(416,967)**	(130,235)
Cash and cash equivalents at beginning of year		**1,033,353**	1,166,331
Exchange losses on cash and cash equivalents		**(5,877)**	(2,743)
Cash and cash equivalents at end of year	14	**610,509**	1,033,353

The notes on pages 119 to 248 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

1 General information of the Group

China Logistics Property Holdings Co., Ltd (the "Company") was incorporated on 12 November 2013 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2013 Revision) of the Cayman Islands, as amended or re-enacted from time to time. The address of its registered office is Harneys 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 storage facilities and the provision of related management services in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 July 2016.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 31 March 2022.

2 Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below. The IASB has issued certain amendments to IFRSs that are first effective for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a joint venture.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— derivative financial assets/liabilities (see Note 2(f)).
— investment properties (see Note 2(h)); and
— convertible bonds (see Note 2(s));

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(z)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

As at 31 December 2021, the current liabilities exceeded the current assets by RMB1,865,652,000. In preparing the consolidated financial statements, the directors of the Company have considered the Group's available sources of funds as follows:

- The net cash inflows from operating activities.

- The unutilised bank borrowing facilities as at 31 December 2021 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 unutilised bank borrowing facilities as at 31 December 2021 was RMB267,516,000 (Note 20).

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- Financing from the Group's major shareholder JD Property Group Corporation, after obtaining control of the Company on 4 February 2022, through various measures including 1) acquiring the outstanding convertible bonds (with aggregate principal amounts of HK$1,109,000,000 due in 2024 and HK$775,050,000 due in 2025, unless early redeemed), and outstanding 2020 Exchange Notes (an aggregate principal amount of US$150,000,000 due in 2022); 2) provide continuing financial support by ways including (but not limited to) providing additional working capital, not calling for repayment of the convertible bonds and 2020 Exchange Notes and other amounts due to the major shareholder if such a repayment would cause the Company to be unable to settle its liabilities to other parties when they fall due.

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

(b) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period. The amendments do not have an impact on these financial statements in prior periods and are not expected to significantly affect the current or future periods:

- Amendments to *IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2*

- Amendment to *IFRS 16, Covid-19-related rent concessions beyond 30 June 2021*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policies (continued)

Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 Summary of significant accounting policies (continued)

(c) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see Note 2(z)).

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see Note 2(z)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see Note 2(k)(i))

2 Summary of significant accounting policies (continued)

(d) Associates and joint ventures (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see Note 2(z))

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 3(c). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(w)(iv)).

2 Summary of significant accounting policies (continued)

(e) Other investments in debt and equity securities (continued)

(i) Investments other than equity investments (continued)

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(w)(iii).

(f) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(g) Property, plant and equipment

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

2 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment including repairs and maintenance are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the differences between the net disposal proceeds and the carrying amount of the item, and are recognised within "Other gains/losses — net" in the consolidated statement of profit or loss and other comprehensive income on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Investment properties

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

2 Summary of significant accounting policies (continued)

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, as follows:

— Computer software licenses	5 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 Summary of significant accounting policies (continued)

(j) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use assets and presents lease liabilities separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(w)(i).

2 Summary of significant accounting policies (continued)

(j) Leased assets (continued)

(ii) As a lessor (continued)

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables); and

— lease receivables;

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2 Summary of significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

2 Summary of significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk (continued)

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(w)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

2 Summary of significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Write-off policy

The gross carrying amount of a financial asset and lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in consolidated income statement in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- intangible assets; and
- investments in subsidiaries, joint ventures and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2 Summary of significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with *IAS 34, Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (Notes 2(k)(i) and (ii)).

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(w)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(l)).

2 Summary of significant accounting policies (continued)

(m) Trade and other receivables (continued)

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(k)(i)).

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(p) Share capital

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

2 Summary of significant accounting policies (continued)

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(r)).

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

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

(r) Borrowing costs

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

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

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

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

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

2 Summary of significant accounting policies (continued)

(s) Convertible bonds

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

— the bondholders have an option to convert into a variable number of equity instruments, other than into a fixed number of equity instruments at a fixed conversion price;

— the bondholders have redemption options upon occurrence of certain events (i.e. an option to require the Group to redeem in cash);

— the Company has redemption options upon occurrence of certain events.

The convertible bonds are regarded as financial instruments consisting of a liability and a derivative component. The convertible bonds including the embedded derivative as a whole are designated as financial liabilities at FVPL. The entire convertible bonds are initially and subsequently measured at fair value, with changes in fair value recognised in profit or loss in the year in which they arise, except for the amount of change in the fair value of the financial liability that is attributable to changes in the Company's own credit risk of that liability which shall be presented in other comprehensive income.

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

If the bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

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

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses and contributions to defined contribution retirement schemes are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(ii) Share-based payments

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

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

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

The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits). The proceeds received net of any directly attributable transaction costs are credited to share capital and premium.

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(iv) Employee leave entitlements

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

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

2 Summary of significant accounting policies (continued)

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Summary of significant accounting policies (continued)

(u) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 Summary of significant accounting policies (continued)

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rental income

Rental income from investment property is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

(ii) Revenue from providing management services

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

(iii) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

2 Summary of significant accounting policies (continued)

(w) Revenue and other income (continued)

(v) Government grants

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

Government grants relating to past expenses are recognised directly in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

(ii) Diluted earnings per share

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

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

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

2 Summary of significant accounting policies (continued)

(y) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

— all resulting currency translation differences are recognised in OCI.

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

2 Summary of significant accounting policies (continued)

(z) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(aa) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

2 Summary of significant accounting policies (continued)

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the Group

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Segment reporting

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

3 Financial risk management

(a) Financial risk factors

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

(i) Market risk

(a) *Foreign exchange risk*

The Company

The Company's functional currency is HK$.

The Company's exposure to foreign exchange risk is mainly on its financing and investing activities (i.e. borrowings, loans to subsidiaries and amounts due to subsidiaries) denominated in RMB. In the opinion of the directors, US$ is reasonably stable under the Linked Exchange Rate System with HK$ and the transactions denominated in US$ are not significant. Accordingly, the Company does not have any significant foreign exchange risk from US$ dominated transactions.

The Company has not hedged its foreign exchange rate risk. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the mainland China government.

Exposure

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

	31 December 2021 RMB denominated HK$'000	31 December 2020 RMB denominated HK$'000
Cash and cash equivalents	**9,175**	101
Loans to subsidiaries	**—**	959,508
Trade and other payables	**(2,028)**	—
Amounts due to subsidiaries	**(775)**	(1,719,271)

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

Sensitivity

At 31 December 2021, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, the Company's profit before tax for the year ended 31 December 2021 would have been increased/decreased by approximately HK$319,000 (31 December 2020: decreased/increased by HK$37,983,000), mainly as a result of foreign exchange gains/losses on translation of RMB denominated quasi-equity loans and loans to subsidiaries and RMB denominated amounts due to subsidiaries.

Subsidiaries of the Group

The Group's subsidiaries' functional currency is RMB.

The Group's subsidiaries' exposure to foreign exchange risk is mainly on its cash and cash equivalents, borrowings, amounts due from parent company and its investing activities (i.e., investments in financial assets at FVPL) denominated in US$ and HK$.

The Group's subsidiaries have not hedged their foreign exchange rate risk. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the mainland China government.

Exposure

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

	31 December 2021		31 December 2020	
	US$ denominated RMB'000	HK$ denominated RMB'000	US$ denominated RMB'000	HK$ denominated RMB'000
Cash and cash equivalents (Note 14)	**59,225**	**237**	66,702	4,673
Financial assets at FVPL (Note 13)	**–**	**–**	312,539	–
Borrowings (Note 20)	**(1,197,654)**	**–**	–	–
Amounts due from parent company	**–**	**(2,289,054)**	–	–

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

Sensitivity

At 31 December 2021, if RMB had weakened/strengthened by 5% against HK$ and US$ with all other variables held constant, the Group's subsidiaries' profit before tax for the year ended 31 December 2021 would have been decreased/increased by approximately RMB171,360,000 (31 December 2020: increased/decreased by RMB19,196,000), mainly as a result of foreign exchange gains/losses on translation of HK$ and US$ denominated cash and cash equivalents, US$ denominated financial assets at FVPL.

(b) Cash flow and fair value interest rate risk

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

At 31 December 2021, if average interest rate on the Group's certain borrowings, which bear floating rates, had been 50 basis point higher/lower, profit before tax for the year ended 31 December 2021 would have been decreased/increased by approximately RMB23,357,000 (31 December 2020: RMB18,168,000).

(ii) Credit risk

(a) Risk management

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

To manage the risk with respect to cash and cash equivalents and restricted cash, bank deposits are placed with highly reputable financial institutions. As at 31 December 2021, most of the cash and cash equivalents and restricted cash are placed with major financial institutions in mainland China and Hong Kong.

Most of the Group's lease and service income are settled in cash by its customers. The Group generally requires customers to pay a certain amount of deposits when rental contracts are signed. The Group performs credit assessment on customers before granting credit limits to customers and credit risks in connection with trade receivables are monitored on an on-going basis.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

(b) Impairment of financial assets

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

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

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade and other receivables:

31 December 2021	Not due RMB'000	Within 90 days RMB'000	91 days to 180 days RMB'000	181 days to 365 days RMB'000	Over 365 days RMB'000	Total RMB'000
Trade receivables (Notes 11(a) and 12(a))						
Gross carrying amount	30,745	22,049	18,095	2,185	1,954	75,028
Expected loss rate	–	2.15%	5.34%	51.11%	100.00%	–
Loss allowance	–	473	967	1,117	1,954	4,511
Other receivables (Notes 11(a) and 12(a))						
Gross carrying amount	77,344	456	–	–	10,345	88,145
Expected loss rate	–	–	–	–	94.73%	–
Loss allowance	–	–	–	–	9,800	9,800

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

(b) Impairment of financial assets (continued)

31 December 2020	Not due RMB'000	Within 90 days RMB'000	91 days to 180 days RMB'000	181 days to 365 days RMB'000	Over 365 days RMB'000	Total RMB'000
Trade receivables (Notes 11(a) and 12(a))						
Gross carrying amount	28,915	34,691	17,218	777	1,141	82,742
Expected loss rate	–	0.67%	2.44%	40.80%	100.00%	–
Loss allowance	–	234	420	317	1,141	2,112
Other receivables (Notes 11(a) and 12(a))						
Gross carrying amount	107,826	545	–	–	9,800	118,171
Expected loss rate	–	–	–	–	67.57%	–
Loss allowance	–	–	–	–	6,622	6,622

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

	As at 31 December 2021 RMB'000	2020 RMB'000
Opening loss allowance at 1 January	**8,734**	7,211
Increase in loss allowance recognised in profit or loss during the year	**5,577**	1,532
Receivables written off during the year as uncollectible	**–**	(9)
Closing loss allowance as at 31 December	**14,311**	8,734

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

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

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2021						
Borrowings and interest (Note 20)	**2,441,975**	**991,901**	**4,226,030**	**3,525,812**	**11,185,718**	**8,823,940**
Trade and other payables (excluding non-financial liabilities) (Note 24)	**277,211**	**—**	**—**	**—**	**277,211**	**277,211**
Long-term payables (Note 23)	**—**	**51,260**	**29,593**	**13,488**	**94,341**	**94,341**
Lease liabilities (Note 8)	**2,785**	**—**	**—**	**—**	**2,785**	**2,766**
Convertible bonds (Note 21)	**1,010,821**	**60,403**	**592,728**	**—**	**1,663,952**	**1,469,979**
	3,732,773	**1,103,564**	**4,848,351**	**3,539,300**	**13,223,988**	**10,668,237**
At 31 December 2020						
Borrowings and interest (Note 20)	1,296,917	2,354,462	2,274,282	3,069,244	8,994,905	7,128,986
Trade and other payables (excluding non-financial liabilities) (Note 24)	290,177	—	—	—	290,177	290,177
Long-term payables (Note 23)	—	35,515	34,328	6,168	76,011	76,011
Lease liabilities (Note 8)	15,319	52,643	157,928	118,446	344,336	278,561
Convertible bonds (Note 21)	107,515	107,515	1,772,474	—	1,987,504	2,236,503
	1,709,928	2,550,135	4,239,012	3,193,858	11,692,933	10,010,238

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

As mentioned in Note 2(a), the Group has net current liabilities of RMB1,865,652,000 as at 31 December 2021. The directors of the Company have considered various available sources of funds which make them believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from period end date of the consolidated financial statements. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

(b) Capital management

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

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

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

3 Financial risk management (continued)

(b) Capital management (continued)

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total borrowings (Note 20)	**8,823,940**	7,100,955
Add: convertible bonds (Note 21)	**1,469,979**	2,236,503
lease liabilities (Note 8)	**2,766**	278,561
Less: cash and cash equivalents (Note 14)	**(610,509)**	(1,033,353)
restricted cash (Note 14)	**(27,170)**	(335,734)
Net debt	**9,659,006**	8,246,932
Total equity	**11,624,423**	11,584,892
Gearing ratio	**45.4%**	41.6%

(c) Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value as at 31 December 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised 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).

3 Financial risk management (continued)

(c) Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2021 and 2020.

As at 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	—	—	22,859,000	22,859,000
	—	—	22,859,000	22,859,000
Liabilities				
Convertible bonds	—	—	1,469,979	1,469,979
Financial liabilities at FVPL	—	—	87,886	87,886
	—	—	1,557,865	1,557,865

As at 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	—	—	312,539	312,539
Investment properties	—	—	20,289,000	20,289,000
	—	—	20,601,539	20,601,539
Liabilities				
Convertible bonds	—	—	2,236,503	2,236,503

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

(d) 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 21 for disclosures of the convertible bonds that are measured at fair value.

Financial liabilities at FVPL

See Note 25 for disclosures of financial assets at FVPL that are measured at fair value.

3 Financial risk management (continued)

(e) Financial investments by category

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
31 December 2021			
Assets as per statement of financial position			
Trade and other receivables	131,328	—	131,328
Cash and cash equivalents	610,509	—	610,509
Restricted cash	27,170	—	27,170
Long-term trade and other receivables	17,534	—	17,534
	786,541	—	786,541

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVPL RMB'000	Total RMB'000
31 December 2021			
Liabilities as per statement of financial position			
Borrowings	8,823,940	—	8,823,940
Trade and other payables excluding non-financial liabilities	277,211	—	277,211
Long-term payables	94,341	—	94,341
Lease liabilities	2,766	—	2,766
Convertible bonds	—	1,469,979	1,469,979
Financial liabilities at FVPL	—	87,886	87,886
	9,198,258	1,557,865	10,756,123

3 Financial risk management (continued)

(e) Financial investments by category (continued)

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
31 December 2020			
Assets as per statement of financial position			
Financial assets at FVPL	—	312,539	312,539
Trade and other receivables	165,261	—	165,261
Cash and cash equivalents	1,033,353	—	1,033,353
Restricted cash	335,734	—	335,734
Long-term trade and other receivables	26,918	—	26,918
	1,561,266	312,539	1,873,805

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVPL RMB'000	Total RMB'000
31 December 2020			
Liabilities as per statement of financial position			
Borrowings	7,100,955	—	7,100,955
Trade and other payables excluding non-financial liabilities	290,177	—	290,177
Long-term payables	76,011	—	76,011
Lease liabilities	278,561	—	278,561
Convertible bonds	—	2,236,503	2,236,503
	7,745,704	2,236,503	9,982,207

4 Critical accounting judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, management has made the following accounting judgement:

(a) Fair value of investment properties

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

(b) Fair value of convertible bonds

As disclosed in Note 21, the fair values of the convertible bonds were determined based on valuations performed by an independent valuer, using valuation techniques. The valuer adopted the Black-Scholes model framework and Multi-Assets Monte Carlo Simulation to determine the fair values of the convertible bonds. In relying on the valuation report, the directors of the Company have exercised their judgements and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's convertible bonds and the corresponding adjustments to the amount of fair value gains or losses reported in the consolidated statement of profit or loss and other comprehensive income. Details of the judgment and assumptions to reach fair value of the convertible bonds have been disclosed in Note 21.

(c) Current and deferred income taxes

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

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

5 Segment information

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

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

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

Revenue from customer A represented 23.8% of the Group's total revenue for the year ended 31 December 2021 (2020: customer A represented 29.2%).

6 Property, plant and equipment

	Vehicles and machineries RMB'000	Furniture, fittings and equipments RMB'000	Leasehold improvement RMB'000	Total RMB'000
Year ended 31 December 2020				
Opening net book amount	1,098	3,499	124,669	129,266
Additions	3,453	227	—	3,680
Disposals	(68)	(195)	—	(263)
Depreciation charge (Note 29)	(686)	(1,137)	(15,288)	(17,111)
Closing net book amount	3,797	2,394	109,381	115,572
At 31 December 2020				
Cost	5,222	9,980	144,429	159,631
Accumulated depreciation	(1,425)	(7,586)	(35,048)	(44,059)
Net book amount	3,797	2,394	109,381	115,572
Year ended 31 December 2021				
Opening net book amount	**3,797**	**2,394**	**109,381**	**115,572**
Additions	**5**	**471**	**1,260**	**1,736**
Disposals	**(2)**	**(145)**	**—**	**(147)**
Depreciation charge (Note 29)	**(936)**	**(880)**	**(78,788)**	**(80,604)**
Closing net book amount	**2,864**	**1,840**	**31,853**	**36,557**
At 31 December 2021				
Cost	**5,222**	**8,353**	**145,689**	**159,264**
Accumulated depreciation	**(2,358)**	**(6,513)**	**(113,836)**	**(122,707)**
Net book amount	**2,864**	**1,840**	**31,853**	**36,557**

6 Property, plant and equipment (continued)

The Group's wholly-owned subsidiary — Shanghai Yupei (Group) Co., Ltd. ("Shanghai Yupei") leases the Group's headquarter building and related land piece from its associate — Shanghai Hongyu Logistics Co., Ltd.("Shanghai Hongyu"). Revised lease contract has been entered into with Shanghai Hongyu by Shanghai Yupei during the current reporting period to terminate the extension option as originally specified in the lease contract and has extended the contractual lease term only to a certain date within twelve months after the reporting period. Useful life of leasehold improvements were adjusted to reflect the shortened lease term. The impact for adjustment of useful life of leasehold improvement for Shanghai Yupei charged to the consolidated statement of profit or loss and other comprehensive income is RMB58,667,000.

7 Investment properties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At fair value		
At beginning of the year	**20,289,000**	19,399,000
Capitalised subsequent expenditure on completed investment properties	**61,193**	177,044
Capitalised expenditure on investment properties under construction	**1,111,898**	1,516,397
Investment properties acquired from assets acquisition	**1,233,169**	—
Disposal of subsidiaries	**—**	(1,140,000)
Other disposal	**—**	(342,000)
Net gains from fair value adjustment	**163,740**	678,559
At end of the year	**22,859,000**	20,289,000

During the year ended 31 December 2021, the Group has capitalised borrowing costs amounting to RMB60,834,000 (31 December 2020: RMB138,747,000) on investment properties under construction (Note 31). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.6% (31 December 2020: 6.5%).

At 31 December 2021, investment properties of the Group with a total fair value amounting to RMB19,873,000,000 (31 December 2020: RMB18,261,000,000) were pledged as collateral mortgaged for borrowings (Note 20).

As at 31 December 2021, the title certificates of certain investment properties with a total fair value of RMB860,000,000 are under application process.

Valuations of the Group's investment properties were performed by an independent professional valuer, Colliers International (Hong Kong) Limited ("Colliers"), to determine the fair values of the investment properties as at 31 December 2021 and 2020. The revaluation gains or losses are included in "Fair value gains on investment properties — net" in the consolidated statement of profit or loss and other comprehensive income.

7 Investment properties (continued)

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

	Fair value measurements at 31 December 2021 using			
Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurements				
Investment properties:				
— Logistics facilities — completed	–	–	20,097,000	20,097,000
— Logistics facilities — under construction	–	–	475,000	475,000
— Logistics facilities — leasehold land held for future development	–	–	2,287,000	2,287,000
	–	–	22,859,000	22,859,000

7 Investment properties (continued)

	Fair value measurements at 31 December 2020 using			
Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurements				
Investment properties:				
— Logistics facilities — completed	—	—	18,140,000	18,140,000
— Logistics facilities — under construction	—	—	942,000	942,000
— Logistics facilities — leasehold land held for future development	—	—	1,207,000	1,207,000
	—	—	20,289,000	20,289,000

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

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

7 Investment properties (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**20,289,000**	19,399,000
Additions	**2,406,260**	1,693,441
Disposal of subsidiaries	**—**	(1,140,000)
Other disposal	**—**	(342,000)
Net gains from fair value adjustment	**163,740**	678,559
At end of the year	**22,859,000**	20,289,000
"Fair value gains on investment properties — net" recognised in profit or loss	**163,740**	678,559

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income (Note 26)	**562,155**	550,008
Direct operating expenses from properties that generated rental income	**(169,983)**	(164,746)
Direct operating expenses from properties that did not generate rental income	**(1,331)**	(1,598)
Fair value gains recognised	**163,740**	678,559

7 Investment properties (continued)

Valuation processes of the Group

The fair values of the Group's investment properties at 31 December 2021 and 2020 were based on valuations performed by independent professional valuer — Colliers, who holds recognised relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

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

At each financial year end the finance department:

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

7 Investment properties (continued)

Valuation techniques

For completed logistics facilities, the valuation was determined primarily using Discounted Cash Flow ("DCF") method and the Term and Reversion ("T&R") analysis, with projections based on significant unobservable inputs. These inputs include:

Future rental cash inflows	Based on the actual location, type and quality of the properties, occupancy 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.
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date.
Term/reversionary yields	Based on actual location, size and quality of the properties and taking into account market data and the status of the existing tenancies at the valuation date.

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

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

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

7 Investment properties (continued)

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

Description	Fair value at 31 December 2021 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — completed	20,097,000	DCF Method/ T&R Analysis	Market rent	RMB17–RMB57 per month per square meter (RMB37 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	7.75%–9% (8.38%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5%–6.85% (5.93%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.5%–7.1% (6.3%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalisation rate	5%–6.25% (5.63%)	The higher the capitalisation rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the terminal rent growth rate, the higher the fair value and vice versa
			Occupancy rate	35.7%–100.0% (91.9%)	The higher the occupancy rate, the higher the fair value and vice versa
Logistics facilities — under construction	475,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB24–RMB28.5 per month per square meter (RMB26.25 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.5%–8.75% (8.63%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	6.6%–6.85% (6.73%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalisation rate	5.75%–6% (5.88%)	The higher the capitalisation rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB152,742,182–RMB299,178,977	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5%–10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

7 Investment properties (continued)

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

Description	Fair value at 31 December 2021 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — leasehold land held for future development	2,287,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB36.9–RMB48.6 per month per square meter (RMB42.75 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	7.75%–8% (7.88%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	5.9%–6.15% (6.03%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalisation rate	5.00%	The higher the capitalisation rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB219,343,488–RMB754,417,139	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5%–10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

7 Investment properties (continued)

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

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities – completed	18,140,000	DCF Method/ T&R Analysis	Market rent	RMB17–RMB57 per month per square meter (RMB37 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	7.75%–9% (8.38%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5%–6.85% (5.93%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.5%–7.1% (6.3%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalisation rate	5%–6.25% (5.63%)	The higher the capitalisation rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%–5% (4.5%)	The higher the terminal rent growth rate, the higher the fair value and vice versa
			Occupancy rate	48.1%–100.0% (90.7%)	The higher the occupancy rate, the higher the fair value and vice versa
Logistics facilities – under construction	942,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB22–RMB26 per month per square meter (RMB24.15 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.5%–9% (8.75%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	6.6%–7.1% (6.85%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalisation rate	5.75%–6.25% (6%)	The higher the capitalisation rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB37,548,429–RMB275,192,477	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	0%–10% (5%)	The higher the estimated profit margin, the lower the fair value and vice versa

7 Investment properties (continued)

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

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — leasehold land held for future development	1,207,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB37–RMB42 per month per square meter (RMB39.3 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8%	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	5.9%	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalisation rate	5.25%	The higher the capitalisation rate, the lower the fair value and vice versa
			Terminal rental growth rate	5%	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB184,350,173–RMB291,564,943	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5%	The higher the estimated profit margin, the lower the fair value and vice versa

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

8 Leases

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Buildings	**—**	178,424
Lease liabilities (Note 39(e))		
Current	**2,766**	14,811
Non-current	**—**	263,750
	2,766	278,561

There were no additions to the right-of-use assets during the 2021 financial year.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**178,424**	239,051
Depreciation charges (Note 29)	**(16,407)**	(28,976)
Reassessment of extension options	**—**	(31,651)
Lease modification	**(162,017)**	—
At end of the year	**—**	178,424

8 Leases (continued)

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 29)		
— Buildings	**16,407**	28,976
Gain on lease modification (Note 28)	**(107,508)**	—
Interest expense (included in finance cost) (Note 31)	**10,442**	17,850
Expense relating to short-term leases (included in cost of sales and administrative expenses) (Note 29)	**2,665**	2,889

The total cash outflow for leases in 2021 was RMB16,712,000 (2020: RMB13,927,000) (Note 39(b)).

9 Investments accounted for using the equity method

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	**869,370**	787,374
Investment in New Bliss Fund		
— Transfer from FVPL (Note 13)	**312,539**	—
— Acquisition up to 46.41% (i)	**247,078**	—
— Acquisition up to 100% (i)	**679,186**	—
— Share of post-tax losses of New Bliss Fund	**(1,707)**	—
— Transfer from equity method to investment in subsidiary	**(1,237,096)**	—
Subtotal	**—**	—
Fair value of the remaining shares in the associates	**—**	66,786
Capital injection in associates	**8,548**	5,290
Share of post-tax (losses)/profits of associates	**(227,795)**	9,920
Impairment loss on assets classified as held for sale (Note 28)	**(17,696)**	—
Reclassified to assets held for sale (Note 15(a))	**(632,427)**	—
End of the year	**—**	869,370

9 Investments accounted for using the equity method (continued)

Investments in associates and a joint venture

The associates and a joint venture as listed below have share capital consisting solely of ordinary shares, held directly by the Group.

Details of investments in associates and joint venture (classified as assets held sales under Note 15(a)) as at 31 December 2021:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Shanghai Hongyu (Note 15(b))	Shanghai/PRC	41%	Associate	Equity
Yupei Logistics Property Management 10 Co., Ltd ("Management 10") (Note 15(a))	BVI	30%	Associate	Equity
Yupei Logistics Property Management 15 Co., Ltd ("Management 15") (Note 15(a))	BVI	30%	Associate	Equity
Yupei Logistics Property Management 12 Co., Ltd ("Management 12") (Note 15(a))	BVI	10%(ii)	Associate	Equity
Yupei Tianjin Logistics Property Management Co., Ltd ("Tianjin Management") (Note 15(a))	BVI	10%(ii)	Associate	Equity

(i) In 2020, the Group subscribed for, via its wholly-owned subsidiary, a limited partnership interest in Perfect Bliss Fund with a total investment amount of US$45,032,000 (equivalent to approximately RMB308,940,000), representing 26.28% of interest in the total capital contribution of Perfect Bliss Fund of US$171,377,000. The Group, via its wholly-owned subsidiary, also subscribed for 30% equity interests of New Bliss International Limited, the general partner of Perfect Bliss Fund.

9 Investments accounted for using the equity method (continued)

Investments in associates and a joint venture (continued)

On 7 June 2021, the Group purchased approximately 20.13% interest in the total capital contribution of Perfect Bliss Fund with a consideration of US$38,389,397 (equivalent to approximately RMB247,078,000). After the transaction, the Group holds approximately 46.41% interest in the total capital contribution of Perfect Bliss Fund.

On 30 November 2021, the Group further acquired 53.59% of interest in the total capital contribution of US$171,377,000 for a consideration of US$106,465,485 (equivalent to approximately RMB679,186,000). As a part of the transaction, the remaining 70% equity interests of New Bliss International Limited, the GP of Perfect Bliss Fund, was also transferred to a wholly-owned subsidiary of the Group. New Bliss Fund has thus become a wholly-owned subsidiary of the Group.

As at 31 December 2021, the investment portfolio of Perfect Bliss Fund mainly referred to the land use right and the existing industrial buildings located in Shanghai, PRC.

(ii) 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.

There were no contingent liabilities relating to the Group's interest in its associates as at 31 December 2021 and 2020.

10 Deferred income tax

The analysis of deferred tax liabilities is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	**(2,290,362)**	(2,103,557)
— Deferred tax liability to be recovered within 12 months	**(1,102)**	(499)
	(2,291,464)	(2,104,056)

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

	Deferred tax liabilities
	RMB'000
At 1 January 2020	(1,998,186)
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 32)	(242,798)
Disposal of subsidiaries	136,928
At 31 December 2020	**(2,104,056)**
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 32)	**(187,408)**
At 31 December 2021	**(2,291,464)**

10 Deferred income tax (continued)

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

Deferred tax assets	Share-based payment RMB'000	Tax losses RMB'000	Impairment losses RMB'000	Leases RMB'000	Total RMB'000
At 1 January 2020	3,423	55,219	1,803	17,854	78,299
Credited/(Charged) to the consolidated statement of profit or loss and other comprehensive income (Note 32)	**(2,519)**	**(11,346)**	**380**	**7,528**	**(5,957)**
At 31 December 2020	**904**	**43,873**	**2,183**	**25,382**	**72,342**
(Charged)/Credited to the consolidated statement of profit or loss and other comprehensive income (Note 32)	**(904)**	**20,869**	**1,395**	**(25,382)**	**(4,022)**
At 31 December 2021	**—**	**64,742**	**3,578**	**—**	**68,320**

10 Deferred income tax (continued)

Deferred tax liabilities	Government grant	Leasing income on straight-lined basis	Fair value gains on investment properties	Guarantee fees to issuance of commercial mortgage backed securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	(26,141)	(4,757)	(2,045,587)	—	(2,076,485)
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 32)	(1,545)	(1,388)	(228,369)	(5,539)	(236,841)
Disposal of subsidiaries	—	—	136,928	—	136,928
At 31 December 2020	(27,686)	(6,145)	(2,137,028)	(5,539)	(2,176,398)
At 1 January 2021	**(27,686)**	**(6,145)**	**(2,137,028)**	**(5,539)**	**(2,176,398)**
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 32)	**(16)**	**(1,542)**	**(182,269)**	**441**	**(183,386)**
At 31 December 2021	**(27,702)**	**(7,687)**	**(2,319,297)**	**(5,098)**	**(2,359,784)**

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognised deferred income tax assets of RMB90,069,000 (2020: RMB39,774,000) in respective tax losses amounting to RMB360,275,000 (2020: RMB159,095,000) that can be carried forward against future taxable income.

10 Deferred income tax (continued)

The unused tax losses from PRC entities can be carried forward up to five years from the year in which the losses originated, and will expire in the following years:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Year 2021	**–**	21,532
Year 2022	**15,310**	22,534
Year 2023	**27,546**	28,708
Year 2024	**42,650**	36,857
Year 2025	**79,468**	49,464
Year 2026	**195,301**	–
	360,275	159,095

Tax losses amounting to RMB21,532,000 (2020: RMB18,489,000) was expired in year 2021.

The Group did not recognise deferred tax liability on accumulated undistributed profit of its subsidiaries as at 31 December 2021 and 2020, because the subsidiaries do not intend to distribute dividend in foreseeable future.

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

(a) Long-term trade and other receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Long-term trade receivables		
Rental income receivables from third parties	**55,225**	44,949
Rental income receivables from related parties (Note 39(e))	**19,803**	33,455
Less: current portion of rental income receivables (Note 12(a))	**(57,494)**	(55,824)
	17,534	22,580
Long-term other receivables		
Long-term interest receivables for repurchased ABN (see definition in Note 20)	**–**	4,338
	17,534	26,918

(b) Long-term prepayments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepaid taxes other than income tax	**214,582**	231,528
Prepayment for construction costs	**147,248**	100,408
Long-term prepaid expenses	**13,521**	14,558
	375,351	346,494

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

12 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
Rental income receivables from third parties (i)	**42,902**	24,483
Rental income receivables from related parties (i)	**14,592**	31,341
	57,494	55,824
Other receivables		
Other receivables for land use rights and other deposits	**74,368**	44,954
Other receivables due from related parties (Note 39(e))	**13,319**	27,198
Receivables from government for relocation compensations	**–**	36,029
Other receivables for unpaid consideration for disposal of subsidiaries	**–**	7,200
Other receivables due from other third parties	**458**	2,790
	88,145	118,171
Less: Loss allowance for trade receivables (Note 3(a))	**(4,511)**	(2,112)
Loss allowance for other receivables (Note 3(a))	**(9,800)**	(6,622)
	(14,311)	(8,734)
	131,328	165,261

(i) As at 31 December 2021, trade receivables of RMB27,344,000 (31 December 2020: RMB21,513,000) were pledged as collateral for borrowings.

(ii) As at 31 December 2021, guarantee deposits of RMB23,900,000 (31 December 2020: RMB4,400,000) were paid to certain financial institution as collateral for borrowings.

As at 31 December 2021 and 2020, the fair value of the current portion of trade and other receivables of the Group approximated their carrying amounts. As at 31 December 2021 and 2020, all the carrying amounts of trade and other receivables were denominated in RMB.

12 Trade and other receivables and prepayments (continued)

(a) Trade and other receivables (continued)

As at 31 December 2021 and 2020, the ageing analysis of the trade receivables based on the dates that the Group was entitled to collect the rental income, was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Up to 30 days	**24,393**	19,153
31 to 90 days	**10,867**	17,535
91 to 365 days	**20,280**	17,995
Over 365 days	**1,954**	1,141
	57,494	55,824

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

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. This resulted in an increase of the loss allowance on both 31 December 2020 and 2021. Information about the calculation of the allowance, the impairment of trade and other receivables and the Group's exposure to credit risk can be found in Note 3(a).

(b) Prepayments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current portion of prepaid taxes other than income tax	**100,035**	87,677
Prepaid interests of ABN	**30,078**	11,733
Prepayments for utilities	**9,449**	9,881
Prepaid income taxes	**453**	2,200
	140,015	111,491

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

13 Financial assets at FVPL

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current	—	—
Non-current	—	312,539
	—	312,539
At the beginning of the year	**312,539**	258,948
Additions	—	308,940
Net fair value changes recognised in profit or loss (Note 28)	—	3,020
Currency translation differences	—	822
Settlements of investments brought forward	—	(259,191)
Transfer to investment accounted for using equity method (Note 9)	**(312,539)**	—
At the end of the year	—	312,539

14 Cash and cash equivalents and restricted cash

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand	**637,679**	1,369,087
Less: Restricted cash		
— Current (i)	**(7,134)**	(300,057)
— Non-current (ii)	**(20,036)**	(35,677)
Cash and cash equivalents	**610,509**	1,033,353

(i) As at 31 December 2021, restricted deposits of RMB5,008,000 (31 December 2020: RMB57,000 in current assets and RMB5,051,000 in non-current assets) were held at bank for construction deposits, restricted deposits of RMB2,126,000 (31 December 2020: RMB2,126,000 in non-current assets) were held at bank for construction worker labor fee and restricted deposits of RMB300,000,000 as at 31 December 2020 were held at bank as collaterals for the current portion of long-term bank borrowing which was repaid during the current reporting period.

(ii) As at 31 December 2021, restricted deposits of RMB20,036,000 (31 December 2020: RMB28,500,000) were held at bank as collaterals for the long-term bank borrowings (Note 20).

14 Cash and cash equivalents and restricted cash (continued)

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**568,114**	1,157,297
US$	**66,708**	9,417
HK$	**2,805**	202,373
SG$	**52**	—
	637,679	1,369,087

15 Assets classified as held for sale

The following non-current assets were reclassified as assets held for sale from investments in associates as at 31 December 2021:

	RMB'000
— Shanghai Hongyu	**355,152**
— Management 10	**103,099**
— Management 15	**93,650**
— Management 12	**41,524**
— Tianjin Management	**39,002**
	632,427

(a) Investments in Management 10, 15, 12 and Tianjin Management (collectively the four management companies)

The Group held minority interests in Management 10, 15, 12 and Tianjin Management, which indirectly held warehouse properties in Kunshan, Nanjing, HuiZhou and Tianjin.

The Group and the major shareholder of the four management companies entered into sale and purchase agreements on 31 December 2021. Pursuant to the sale and purchase agreement, the Group has agreed to sell, and the major shareholder of the four management companies has agreed to purchase the Group's equity interest in the four management companies. Impairment losses on initial classification as held for sale of RMB17,696,000 has been recognised in "Other net gains". The transaction was completed in January 2022.

15 Assets classified as held for sale (continued)

(b) Investments in Shanghai Hongyu

Shanghai Hongyu was established by the Group with two external third parties in March 2015. Shanghai Hongyu owned the Group's headquarter building and related interest in the land it occupied. At 1 January 2021, the Group held 41% ownership interest in Shanghai Hongyu, and accounted for it as an associate.

On 17 August 2021, the Group entered into a call option agreement with China Logistics Supply Chain Holdings Co., Ltd. (the "Optionholder") (an indirectly wholly-owned company of Mr. Li Shifa, a director of the Company during the year), pursuant to which the Group granted to the Optionholder the right to purchase the 41% ownership interest in Shanghai Hongyu at exercise price of RMB277,658,000 at any time during the subsequent 18-month exercise period (the "call option"). As a result, investments in Shanghai Hongyu has been reclassified as held for sale since 17 August 2021.

The option premium is HK$1,000,000 (equivalent to RMB831,000). The call option is accounted for as a financial liability. The fair value loss of the call option granted amounted to RMB 77,756,000 was charged to profit or loss account for the year ended 31 December 2021.

Subsequent to the end of the reporting period on 3 February 2022, the Optionholder exercised the call option and since then, the Group did not hold any equity interest in Shanghai Hongyu.

16 Share capital and premium

(a) Authorised shares

	Number of authorised shares
At 1 January 2020 and 31 December 2020	8,000,000,000
At 1 January 2021 and 31 December 2021	8,000,000,000

(b) Issued shares and share premium

	Number of issued shares	Ordinary shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2020	3,234,192,999	1,320	6,441,069	—	6,442,389
Employee share option scheme					
— Exercise of options (Note 19)	5,670,000	2	18,133	—	18,135
Repurchase of shares (ii)	—	—	—	(97,533)	(97,533)
Conversion of the convertible bonds (Note 21)	14,420,059	6	49,543	—	49,549
At 31 December 2020	3,254,283,058	1,328	6,508,745	(97,533)	6,412,540
At 1 January 2021	**3,254,283,058**	**1,328**	**6,508,745**	**(97,533)**	**6,412,540**
Issuance of shares (i)	**220,000,000**	**89**	**631,980**	**—**	**632,069**
Repurchase of shares (ii)	**—**	**—**	**—**	**(157,428)**	**(157,428)**
At 31 December 2021	**3,474,283,058**	**1,417**	**7,140,725**	**(254,961)**	**6,887,181**

(i) On 9 June 2021, the Company placed an aggregate of 220,000,000 new shares at the placing price of HK$3.54 in accordance with the terms and conditions of the placing agreement. The net proceeds from the placing is equivalent to RMB632,069,000.

16 Share capital and premium (continued)

(b) Issued shares and share premium (continued)

(ii) 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 31 December 2021, The Trustee, on behalf of the Company, has repurchased up to 83,413,000 ordinary shares with total amount of RMB254,961,000.

As a trust set up solely for the share award scheme, the shares held by the trust is consolidated.

17 Retained earnings

	RMB'000
At 1 January 2020	4,880,762
Profit for the year	22,835
Appropriation to statutory reserves (Note 18)	(3,590)
At 31 December 2020	**4,900,007**
Loss for the year	**(2,813)**
Employees share option scheme — share options expired	**3,612**
Appropriation to statutory reserves (Note 18)	**(327)**
At 31 December 2021	**4,900,479**

18 Other reserves

	Reorganisation reserve RMB'000	Statutory reserves (i) RMB'000	Share-based payments RMB'000	Deemed contribution from equity holders RMB'000	Acquisition of non-controlling interests RMB'000	Currency translation differences RMB'000	Convertible bonds reserve RMB'000	Total RMB'000
At 1 January 2020	10,461	8,717	13,691	156,436	–	(598,029)	–	(408,724)
Employee share option scheme								
– Exercise of share options	–	–	(10,079)	–	–	–	–	(10,079)
Appropriation to statutory reserves (Note 17) (i)	–	3,590	–	–	–	–	–	3,590
Currency translation differences	–	–	–	–	–	(132,167)	–	(132,167)
At 31 December 2020	10,461	12,307	3,612	156,436	–	(730,196)	–	(547,380)
At 1 January 2021	**10,461**	**12,307**	**3,612**	**156,436**	**–**	**(730,196)**	**–**	**(547,380)**
Employee share option scheme								
– Expiry of share options	**–**	**–**	**(3,612)**	**–**	**–**	**–**	**–**	**(3,612)**
Appropriation to statutory reserves (Note 17) (i)	**–**	**327**	**–**	**–**	**–**	**–**	**–**	**327**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**(68,854)**	**–**	**–**	**(68,854)**
Change in fair value of convertible bonds from own credit risk (Note 21)	**–**	**–**	**–**	**–**	**–**	**–**	**(92,354)**	**(92,354)**
Recognition of convertible bonds reserve (Note 21)	**–**	**–**	**–**	**–**	**–**	**–**	**548,433**	**548,433**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**203**	**–**	**203**
At 31 December 2021	**10,461**	**12,634**	**–**	**156,436**	**(68,854)**	**(729,993)**	**456,079**	**(163,237)**

18 Other reserves (continued)

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

(ii) The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand operations, or to increase the capital of the respective companies. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital.

19 Share-based payments

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

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

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

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

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

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

19 Share-based payments (continued)

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

	Year ended 31 December			
	2021		2020	
	Average exercise price in HK$ per share	Number of options	Average exercise price in HK$ per share	Number of options
As at 1 January	**1.625**	**1,872,200**	1.625	7,542,200
Exercised (Note 16(b))	**1.625**	**–**	1.625	(5,670,000)
Expired during the year	**1.625**	**(1,872,200)**	1.625	–
As at 31 December	**1.625**	**–**	1.625	1,872,200

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

Grant date	Expiry date	Exercise price in HK$ per share	Number of options as at 31 December 2021	2020
21 March 2016	21 March 2021	1.625	**–**	200
28 March 2016	28 March 2021	1.625	**–**	1,872,000
			–	1,872,200

20 Borrowings

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets (a)	**4,106,058**	3,321,126
— secured by assets and equity interest of certain subsidiaries (b)	**860,839**	1,387,676
Senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (d)	**963,667**	1,066,083
Long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries (e)	**717,277**	350,070
Asset-backed medium-term notes ("ABN")		
— secured by assets (f)	**448,229**	448,160
Commercial mortgage backed securities ("CMBS")		
— secured by assets (g)	**480,620**	477,840
Long-term borrowings from third parties		
— secured by equity interest of a certain subsidiary (h)	**1,197,654**	—
	8,774,344	7,050,955
Less: Long-term bank borrowings due within one year	**(837,659)**	(675,074)
Long-term borrowings from other financial institutions due within one year	**(112,372)**	(72,521)
Senior notes due within one year	**(963,667)**	(91,912)
ABN due within one year	**(694)**	(415)
CMBS due within one year	**(661)**	—
	6,859,291	6,211,033

20 Borrowings (continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Short-term bank borrowings		
— unsecured (c)	**49,596**	50,000
Current portion of long-term bank borrowings		
— secured by assets (a)	**701,744**	544,378
— secured by assets and equity interest of certain subsidiaries (b)	**135,915**	130,696
Current portion of senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (d)	**963,667**	91,912
Current portion of long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries (e)	**112,372**	72,521
Current portion of ABN		
— secured by assets (f)	**694**	415
Current portion of CMBS		
— secured by assets (g)	**661**	—
	1,964,649	889,922
Total borrowings	**8,823,940**	7,100,955

20 Borrowings (continued)

As at 31 December 2021 and 2020, the Group has the following bank borrowings with details of securities:

(a)

Category*	Bank borrowings as at 31 December, RMB'000		Securities — Investment properties, (Note 7) RMB'000		Securities — others, RMB'000
	2021	2020	**2021**	2020	
i	**2,843,185**	2,217,349	**8,153,000**	8,723,000	• Nil
ii	**—**	298,320	**—**	—	• Restricted deposits: nil (2020: 300,000)
iii	**970,310**	487,647	**3,504,000**	1,562,000	• Trade receivables: 9,312 (2020: 10,313) (Note 12) • Rental income from the investment properties
iv	**244,340**	253,654	**719,000**	715,000	• Trade receivables: 1,627 (2020: 352) (Note 12) • Rental income from the investment properties • Restricted deposits: 20,036 (2020: 20,000) (Note 14)
v	**48,223**	64,156	**506,000**	508,000	• Restricted deposits: nil (2020: 8,500) (Note 14)
	4,106,058	3,321,126			

(b)

Category*	Bank borrowings as at 31 December, RMB'000		Securities — Investment properties, (Note 7) RMB'000		Securities — others, RMB'000
	2021	2020	**2021**	2020	
vi	**353,048**	913,473	**346,000**	2,001,000	• Equity interests in certain subsidiaries (2021 only)
vii	**507,791**	474,203	**1,931,000**	1,311,000	• Trade receivables 9,433 (2020: 685) (Note 12) • Rental income from certain investment properties • Equity interests in certain subsidiaries
	860,839	1,387,676			

Category*: Borrowings are categorised by their means of securities.

(c) As at 31 December 2021, bank borrowings of RMB49,596,000 (31 December 2020: RMB50,000,000) were unsecured.

20 Borrowings (continued)

(d) On 5 November 2020, the Company offered to replace the Exchange Notes issued in 2019 (the "2019 Exchange Notes") for the new notes issued by the Company subject to the new set of terms and conditions. The offer was completed on 18 November 2020, with an aggregate principal amount of US$150,000,000 of new exchange notes (the "2020 Exchange Notes") issued by the Company. The 2020 Exchange Notes is secured by guarantees provided by certain subsidiaries of the Group. The 2020 Exchange Notes will mature on 18 November 2022, unless earlier redeemed in accordance with the terms thereof, with an interest rate of 8.75% per annum payable semi-annually.

The remaining 2019 Exchange Notes of US$14,380,000 not converted as of 31 December 2020 was fully repaid during 2021.

(e) As at 31 December 2021, borrowings from other financial institutions of RMB717,277,000 (31 December 2020: RMB350,070,000) were secured by the investment properties of the Group amounting to RMB2,095,000,000 (31 December 2020: RMB874,000,000) (Note 7), trade receivables amounting to RMB6,012,000 (31 December 2020: RMB4,698,000) (Note 12), the rental income generated from the lease of the investment properties during the terms of the borrowings, guarantee deposits amounting to RMB23,900,000 (31 December 2020: RMB4,400,000) (Note 12) and the Group's equity interests in certain subsidiaries.

(f) On 24 June 2019, Shanghai Yupei Group Co., Ltd. ("Shanghai Yupei") issued ABN in the principal amount of RMB450,000,000 (adjusted after repurchase). The fund raised is for financing two project subsidiaries of the Group with their investment properties amounting to RMB1,535,000,000 (31 December 2020: RMB1,497,000,000) (Note 7), trade receivables amounting to RMB568,000 (31 December 2020: RMB888,000) (Note 12), as well as the rental income generated from the lease of the investment properties. 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 at a rate of 6.5% per annum, and both principal and interest are payable quarterly.

(g) On 7 August 2020, Shanghai Yupei issued CMBS in the principal amount of RMB500,000,000 (adjusted after repurchase). The fund raised is for financing two project subsidiaries of the Group. The CMBS is pledged with their investment properties amounting to RMB1,084,000,000 (31 December 2020: RMB1,070,000,000), trade receivables amounting to RMB392,000 (31 December 2020: RMB4,577,000), rental income generated from the lease of the investment properties. Shanghai Yupei and the Company also provided guarantees 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.

20 Borrowings (continued)

(h) On 17 September 2021, the Group's subsidiary — Yupei Wuxi Logistics Property Management Co., Ltd. ("Yupei Wuxi BVI") entered into a sale and purchase agreement ("Wuxi SPA") with ACRE Magnolia Pte. Ltd. ("ACRE") to sell 100% of its indirect held equity interest in Wuxi Yupei Warehousing Development Co., Ltd. (Wuxi Project Company), registered in the PRC, to ACRE for a total consideration of US$199,859,316, equivalent to approximately RMB1,289 million subsequently adjusted to RMB1,300 million (the "sale consideration"). The transaction was completed on 5 October 2021.

On 22 November 2021, Yupei Wuxi BVI, the Company and ACRE entered into an Options and guarantee deed. Pursuant to the Options and guarantee deed, Yupei Wuxi BVI grants an option to ACRE to sell to it all interest in Wuxi Project Company (the "Put Option") and ACRE grants an option to Yupei Wuxi BVI to purchase from it all interest in Wuxi Project Company (the "Call Option"). The option premium for the Put Option is USD1. The option premium for the call option is 2.75% of the sale consideration, payable semi-annually. The exercise price for the Put and Call Options is 115% and 117.5% respectively of the sales consideration. Both the Put and Call Options can be exercised starting from the fifth anniversary of the completion date of the Sale. Additionally, the Put Option will be exercisable at any time if the property and leasing management agreement ("PLMA") entered into between Wuxi Project Company and Shanghai Yupei, pursuant to which the Group retains the risks and rewards in Wuxi Project Company, is terminated.

The Group regards the above-mentioned transactions as linked transactions and accounts for the linked transactions as an in-substance financing from ACRE with a coupon interest of 2.75% payable semi-annually and a redemption premium over par (i.e. the sale consideration) at maturity. The variation of the redemption premium by 2.5% of par depending on whether the Put or Call Option is exercised represents an embedded derivative of the in-substance loan. The financing from ACRE is secured by the Group's entire equity interest in Wuxi Project Company and guaranteed by the Company pursuant to the guarantee deed.

Other than the convertible bonds which are designated at fair value, the fair value of current and non-current borrowings and the carrying amounts measured at amortised cost were not materially different. 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.

20 Borrowings (continued)

At 31 December 2021 and 2020, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**6,560,025**	5,923,949
US$	**2,263,915**	1,177,006
	8,823,940	7,100,955

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Floating rate:		
— Expiring over one year	**267,516**	717,978
Fixed rate:		
— Expiring over one year	**—**	40,700
	267,516	758,678

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

20 Borrowings (continued)

As at 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**1,964,649**	889,922
Between 1 and 2 years	**638,739**	2,009,408
Between 2 and 5 years	**3,410,131**	1,713,998
Over 5 years	**2,810,421**	2,487,627
	8,823,940	7,100,955

As at 31 December 2021, borrowings of RMB4,152,452,000 (31 December 2020: RMB3,467,344,000) bear fixed interest rates and the remaining borrowings bear floating interest rates.

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

	As at 31 December	
	2021	2020
RMB	**5.5%**	5.9%
US$	**9.2%**	11.2%

21 Convertible bonds

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	**2,236,503**	996,259
Issuance (i)	**—**	657,025
Conversion	**—**	(49,549)
Recognition of convertible bonds reserve (ii)	**(548,433)**	—
Payment of interest	**(106,063)**	(66,800)
Currency translation differences	**(50,468)**	(102,524)
Fair value change (iii)		
— Change in fair value from own credit risk	**92,354**	—
— Fair value gains/(losses) charged to profit or loss — net	**(153,914)**	802,092
	(61,560)	802,092
At 31 December	**1,469,979**	2,236,503
Non-Current	**563,602**	2,236,503
Current	**906,377**	—
At 31 December	**1,469,979**	2,236,503

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

The 2019 Convertible Bonds is presented as non-current as a waiver was obtained on 23 December 2021 from holders in respect of the redemption triggered by change of control.

On 23 November 2020, the Company issued HK$ denominated convertible bonds (the "2020 Convertible Bonds") in the principal amount of HK$775,050,000. The 2020 Convertible Bonds are secured by guarantees provided by certain subsidiaries of the Group. The 2020 Convertible Bonds shall mature on 23 November 2025, unless earlier redeemed, converted or purchased and cancelled in accordance with the terms thereof including change of control. The 2020 Convertible Bonds bear interest at a rate of 6.95% per annum payable semi-annually in arrears on 23 May and 23 November of each year, commencing on 23 May 2021.

21 Convertible bonds (continued)

(ii) Pursuant to the anti-dilutive terms of the 2019 and 2020 Convertible Bonds, the placing of new shares resulted in an adjustment to the conversion price of the 2019 and 2020 Convertible Bonds, from HK$3.19 to HK$3.15 effective from 17 June 2021.

As the reset of conversion price will expire after the second anniversary of the issue of 2019 Convertible Bonds, the conversion price was fixed at HK$3.15 save as the anti-dilutive terms, with effect from 26 June 2021 which is the the second anniversary of the issuance, the conversion component of Convertible Bonds of HK$657,507,228 (equivalent to RMB548,433,000) was transferred to Convertible Bonds reserve on that date. The remaining components of 2019 Convertible Bonds are still measured at fair value, with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

(iii) Net fair value change of the convertible bonds is RMB61,560,000 of which fair value change of RMB92,354,000 of the convertible bonds that is attributable to changes in their own credit risk have been presented as a debit in other comprehensive income. The remaining amount of change in the fair value of RMB153,914,000 have been accounted for as a gain in the profit or loss account.

Valuation of the convertible bonds adopted the Black-Scholes model framework and Multi-Assets Monte Carlo Simulation to determine the fair values of the 2019 and 2020 Convertible Bonds. The key inputs used in the valuation methods are listed as below:

	As at 31 December			
	2021		2020	
	2019 Convertible Bonds	2020 Convertible Bonds	2019 Convertible Bonds	2020 Convertible Bonds
Conversion price	**HK$3.15**	**HK$3.15**	HK$3.19	HK$3.19
Share price	**HK$4.30**	**HK$4.30**	HK$4.54	HK$4.54
Share price volatility	**29.13%**	**34.16%**	34.18%	35.35%
The average volume-weighted average price (“VWAP”)	**HK$4.28**	**HK$4.28**	HK$4.43	HK$4.43
VWAP volatility	**27.20%**	**31.00%**	30.53%	32.54%
Coupon rate	**6.95%**	**6.95%**	6.95%	6.95%
Effective interest rate	**25.09%**	**25.68%**	35.62%	35.34%
Expected dividend yield	**0.00%**	**0.00%**	0.00%	0.00%
Risk free rate	**1.04%**	**1.24%**	0.38%	0.47%

The fair value of the remaining component of 2019 Convertible Bonds at 31 December 2021 is HK$689,337,000 (equivalent to RMB563,602,000).

21 Convertible bonds (continued)

Were the effective interest rate used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2019 Convertible Bonds at 31 December 2021 would be approximately RMB10,361,000 lower or RMB10,696,000 higher. Were the stock price volatility and VWAP volatility used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2019 Convertible Bonds at 31 December 2021 would be approximately RMB687,000 lower or RMB174,000 higher.

The fair values of the 2020 Convertible Bonds at 31 December 2020 is HK$1,108,583,000 (equivalent to RMB906,377,000).

Were the effective interest rate used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2020 Convertible Bonds at 31 December 2021 would be approximately RMB1,889,000 lower or RMB1,917,000 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 2020 Convertible Bonds at 31 December 2021 would be approximately RMB1,358,000 higher or RMB1,250,000 lower.

22 Deferred income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	**—**	—
Additions	**10,590**	19,600
Credit to the consolidated statement of profit or loss and other comprehensive income (Note 27)	**(10,590)**	(19,600)
At 31 December	**—**	—

These mainly represent government grants received from certain municipal government of the PRC

23 Long-term payables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Rental deposits payable to third parties	**53,065**	45,637
Rental deposits payable to related parties (Note 39(e))	**14,636**	21,361
Construction deposits	**26,640**	9,013
	94,341	76,011

24 Trade and other payables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Payables for construction costs	**160,587**	110,924
Rental deposits and other deposits payable to third parties	**40,441**	54,089
Prepaid rents from third parties	**21,890**	21,431
Rental deposits payable to related parties (Note 39(e))	**26,943**	32,574
Accrued operating expenses	**38,551**	28,972
Interest payable	**—**	28,031
Advances from a related party (Note 39(e))	**—**	23,295
Other taxes payable	**25,504**	26,675
Employee benefit payables	**11,909**	11,209
Prepaid rents from related parties (Note 39(e))	**13,522**	11,012
Contract termination compensation	**—**	4,000
Payables for commission fees and other expenses related to issuance of senior notes	**1,680**	3,330
Payables for commission fees and other expenses related to issuance of convertible bonds	**374**	2,127
Payables for land use rights commission fee	**5,451**	2,367
Payables for equity acquisition	**1,993**	—
Others	**1,191**	468
	350,036	360,504

24 Trade and other payables (continued)

At 31 December 2021 and 2020, the ageing analysis of payables for construction costs based on the dates that the Group had the payment obligation for the construction costs, was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Up to 1 year	**148,548**	103,553
1 year to 2 years	**10,685**	5,139
Over 2 years	**1,354**	2,232
	160,587	110,924

25 Financial liabilities at FVPL

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Wuxi Yupei embedded derivatives (i)	**10,130**	—
	10,130	—
Current		
Shanghai Hongyu call option (ii)	**77,756**	—
	77,756	—
Total Financial liabilities at FVPL	**87,886**	—

25 Financial liabilities at FVPL (continued)

(i) As mentioned in Note 20(h), the Group accounts Wuxi Yupei transaction as an in-substance loan from ACRE with a coupon interest of 2.75% payable semi-annually and a redemption premium over par (i.e. the sales consideration) at maturity. The variation of the redemption premium by 2.5% over par depending on whether the Put or Call Option is exercised represents an embedded derivative of the in-substance loan.

The Wuxi Yupei embedded derivatives are measured at fair value, with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

The valuation for the Wuxi Yupei embedded derivatives at 31 December 2021 was carried out by an independent external valuer.

The valuer adopted the Binomial Tree Pricing method to determine the fair values of the Wuxi Yupei embedded derivatives. The key inputs used in the valuation methods are listed as below:

	As at 31 December 2021
Expected pay-out amount	**RMB32,500,000**

Except for expected pay-out amount, other inputs do not have significant impact on the valuation.

(ii) Please refer note 15(b) for background of the Shanghai Hongyu call option.

The Shanghai Hongyu call option is measured at fair value, with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

The valuation for the Shanghai Hongyu call option at 31 December 2021 was carried out by an independent external valuer.

25 Financial liabilities at FVPL (continued)

The valuer adopted the Binomial Tree Pricing method to determine the fair values of the Shanghai Hongyu call option. The key inputs used in the valuation methods are listed as below:

	As at 31 December 2021
Volatility of underlying assets	**17.09%**
Expected dividend yield	**0.00%**
Risk free interest rate	**2.55%**

Were the Volatility of underlying assets used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the Shanghai Hongyu call option at 31 December 2021 would be approximately RMB6,742,000 higher or RMB6,460,000 lower.

26 Revenue

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income	**562,155**	550,008
Revenue from providing property management services (a)	**337,334**	247,516
Others	**5,546**	1,113
	905,035	798,637

26 Revenue (continued)

(a) Unsatisfied property management services

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term property management services that are partially or fully unsatisfied as at 31 December	**1,185,030**	923,635

Management expects that approximately 28% of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during 2022, and approximately 18% will be recognised as revenue during 2023. The remaining approximately 54% will be recognised during financial years starting from 2024. The amount disclosed above does not include variable consideration which is constrained.

(b) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities		
— Property management services	**17,387**	12,804

26 Revenue (continued)

(b) Contract liabilities (continued)

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
— Property management services	**12,804**	7,937

27 Other income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Asset related government grants (Note 22)	**10,590**	19,600
Income related government grants	**6,872**	7,257
Others	**5,220**	582
	22,682	27,439

28 Other net gains

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Exchange gains	**68,980**	319,147
Gains from disposal of subsidiaries	**—**	72,448
Gains from relocation of a subsidiary	**—**	38,029
(Losses)/gains from disposal of property, plant and equipment	**(137)**	277
Donations	**(203)**	(240)
Fair value gains on financial assets at FVPL (Note 13)	**—**	3,020
Contract termination compensation	**(743)**	(3,148)
Gain on lease modification (a)	**107,508**	—
Impairment loss on assets classified as held for sale (Note 15(a))	**(17,696)**	—
Others	**(3,753)**	(490)
	153,956	429,043

(a) Lease modification of Shanghai Hongyu

The Group leased its headquarter building and related land piece from Shanghai Hongyu with expected term of 10 years from 2018. A new lease contract was signed on 1 September, 2021 and modified the lease term to expiry date of 28 February, 2022. Shanghai Yupei recalculated the lease liability at the discount rate determined on that day, and reduce the book value of the right-of-use asset. The resulting gains from lease modification is classified as other net gains and affect the profit for the year.

29 Expenses by nature

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Property tax, land tax and other tax charges	**114,270**	106,593
Employee benefit expenses — including directors' emoluments (Note 30)	**71,144**	59,002
Professional fees	**50,300**	41,088
Maintenance and repairing costs	**51,674**	41,589
Depreciation of right-of-use assets (Note 8)	**16,407**	28,976
Depreciation of property, plant and equipment (Note 6)	**80,604**	17,111
Leasing commission	**7,121**	12,348
Utilities and office expenses	**11,008**	7,771
Travelling expenses	**4,339**	4,290
Auditor's remuneration		
— Audit services	**2,600**	3,600
— Non-audit services	**2,050**	1,000
Insurance expenses	**4,193**	3,369
Leasing fees (Note 8)	**2,665**	2,889
Entertainment expenses	**2,087**	2,206
Bank charges	**714**	636
Covid-19-related rent concessions	**—**	(2,785)
Other expenses	**4,543**	2,282
Total cost of sales, selling and marketing expenses and administrative expenses	**425,719**	331,965

30 Employee benefit expenses

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	**54,838**	52,375
Pension, housing fund, medical insurance and other social insurance	**13,220**	6,627
Termination benefits	**3,086**	—
Total employee benefit expense	**71,144**	59,002

(a) Five highest paid individuals

During the year ended 31 December 2021, the five highest paid individuals are all (2020: four) directors of the Company, whose emoluments are reflected in the analysis presented in Note 39. The emoluments payable to the five highest paid individuals during the years ended 31 December 2021 and 2020 as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	**7,838**	9,535
Pension, housing fund, medical insurance and other social insurance	**494**	254
Termination benefits	**3,086**	—
Total employee benefit expense	**11,418**	9,789

For the year ended 31 December 2021, except for Mr. Cheuk Shun Wah, no emoluments were paid by the Group to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office (31 December 2020: Nil).

31 Finance expenses — net

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance expenses		
Interest on bank borrowings	**(265,856)**	(269,904)
Interest on borrowings from other financial institutions	**(30,590)**	(10,585)
Interest on borrowings from third parties	**(22,945)**	—
Interest on senior notes	**(91,381)**	(256,105)
Interest on ABN and CMBS	**(56,735)**	(44,545)
Interest expense on lease liabilities (Note 8)	**(10,442)**	(17,850)
	(477,949)	(598,989)
Less: capitalisation of interest (Note 7)	**60,834**	138,747
Net interest expenses	**(417,115)**	(460,242)
Transaction cost of convertible bonds	**—**	(28,060)
	(417,115)	(488,302)
Finance income		
Exchange gains	**13,269**	12,087
Interest income on bank deposits	**11,377**	23,630
	24,646	35,717
Net finance expenses	**(392,469)**	(452,585)

32 Income tax expense

PRC profits tax has been provided at the rate of 25% on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current tax		
Current tax on profits for the year	**4,582**	13,190
Capital gain tax (a)	**39,342**	35,335
Withholding tax (b)	**1,899**	—
Adjustments for current tax of prior periods	**(13)**	(2,519)
Total current tax expense	**45,810**	46,006
Deferred income tax	**187,408**	242,798
Income tax expense	**233,218**	288,804

(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 assessable profits for the year.

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

CIT is provided at the rate of 25% (2020: 25%) on the assessable income of entities within the Group incorporated in the PRC.

(iv) PRC withholding income tax

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

(v) PRC capital gain tax

According to the State Administration of Taxation Announcement [2015] No. 7, where a non-resident enterprise makes indirect transfer of assets such as the equity of a Chinese resident enterprise through arrangements which do not have a reasonable commercial objective to circumvent enterprise income tax payment obligation, the indirect transfer shall be redefined pursuant to the provisions of Article 47 of the Enterprise Income Tax Law as direct transfer of assets such as equity of Chinese resident enterprises. The income of such transfer of equity is demanded to pay incoming tax withholding at source.

32 Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before tax	**259,005**	355,424
Tax calculated at domestic tax rates applicable to profits in the respective countries	**129,672**	262,233
Tax effects of:		
— Expenses not deductible for tax purpose	**1,479**	443
— Income not subject to tax	**(1,141)**	(2,032)
— Tax losses for which the deferred tax asset was not recognised	**48,825**	18,761
— Other temporary differences for which deferred tax asset was not recognised	**14,677**	—
— Utilization of previously unrecognised tax losses	**(1,512)**	(23,417)
— Capital gain tax on disposal of subsidiaries (a)	**39,342**	35,335
— Withholding tax (b)	**1,899**	—
— Adjustments for current tax of prior periods	**(13)**	(2,519)
Tax charge	**233,218**	288,804

During the year ended 31 December 2021, the effective tax rate is 90.0% (2020: 81.3%).

(a) The Group sold about 90% of total equity interest in certain management companies to a third party in 2020. The transfer of equity interest was subject to a 10% capital gain tax. The filing of such equity transfer transaction was completed with relevant capital gain tax paid in 2021.

As mentioned in Note 20(h), the legal title of Yupei Wuxi HK was transferred to ACRE. The legal title transfer of equity interest of Yupei Wuxi HK was subject to a 10% capital gain tax. The filing of such equity transfer transaction was completed with relevant capital gain tax paid in February 2022. Notwithstanding, the Group is of the view that it still controls Yupei Wuxi HK as explained in Note 20(h).

(b) During the year ended 31 December 2021, certain subsidiaries of the Group established in the PRC have entered into loan agreements with subsidiaries established in Hong Kong. Interest income earned by Hong Kong subsidiaries is subject to PRC withholding income tax.

33 (Loss)/Earnings per share

(a) Basic

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

	Year ended 31 December	
	2021	2020
(Loss)/Profit attributable to equity owners of the Company (RMB'000)	**(2,813)**	22,835
Weighted average number of ordinary shares in issue	**3,373,625,524**	3,239,406,046
Basic (loss)/earnings per share (RMB)	**(0.0008)**	0.0070

(b) Diluted

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

	Year ended 31 December	
	2021	2020
(Loss)/Profit attributable to equity owners of the Company (RMB'000)	**(2,813)**	22,835
Adjustment for convertible bonds	**(153,914)**	—
	(156,727)	22,835
Weighted average number of ordinary shares in issue	**3,373,625,524**	3,239,406,046
Adjustment for shares granted under share option scheme	**—**	963,529
Adjustment for shares granted under the convertible bonds	**580,160,291**	—
Weighted average number of ordinary shares for diluted earnings per share	**3,953,785,814**	3,240,369,575
Diluted (loss)/earnings per share (RMB)	**(0.0396)**	0.0070

During the year ended 31 December 2020, the Group's convertible bonds were anti-dilutive and, accordingly, were excluded from the computation of diluted earnings per share.

34 Dividends

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2021 (31 December 2020: Nil).

35 Cash flow information

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	**259,005**	355,424
Adjustments for:		
— Depreciation of property, plant and equipment (Note 6)	**80,604**	17,111
— Depreciation of right-of-use assets (Note 8)	**16,407**	28,976
— Covid-19-related rent concessions (Note 29)	**—**	(2,785)
— Fair value gains on investment properties — net (Note 7)	**(163,740)**	(678,559)
— Fair value gains on financial assets at FVPL (Note 28)	**—**	(3,020)
— Gains from disposal of subsidiaries	**—**	(72,448)
— Fair value (gains)/losses on convertible bonds (Note 21)	**(153,914)**	802,092
— Losses/(gains) from disposal of property, plant and equipment (Note 28)	**137**	(277)
— Amortization of intangible asset	**274**	400
— Gain from relocation of a subsidiary	**—**	(38,029)
— Impairment losses on trade and other receivables (Note 3(a))	**5,577**	1,532
— Finance expenses — net (Note 31)	**392,469**	452,585
— Exchange gains (Note 28)	**(68,980)**	(319,147)
— Share of results of associated companies (Note 9)	**229,502**	(9,920)
— Asset related government grant (Note 27)	**(10,590)**	(19,600)
— Gain from a lease modification (Note 28)	**(107,508)**	—
— Fair value losses on Financial liabilities at FVPL (Note 25)	**87,055**	—
— Impairment loss on assets classified as held for sale (Note 28)	**17,696**	—
— Increase in trade and other receivables	**(1,670)**	(12,701)
— Increase in trade and other payables	**38,706**	58,591
Cash generated from operations	**621,030**	560,225

35 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Bank borrowings and interest RMB'000	Borrowings from other institutions and interest RMB'000	Borrowings from third party and interest RMB'000	Senior notes and interest RMB'000	ABN and interest RMB'000	CMBS and interest RMB'000	Lease liabilities RMB'000	Convertible bonds and interest RMB'000	Total RMB'000
At 31 December 2020	4,759,011	351,206	–	1,088,532	440,753	481,081	278,561	2,238,630	9,637,774
Changes from financing cash flows:									
Proceeds from borrowings	2,937,981	450,000	1,207,515	–	–	–	–	–	4,595,496
Repayments of borrowings	(2,688,219)	(87,126)	–	(93,008)	(600)	–	–	–	(2,868,953)
Payment of interest of borrowings and lease liabilities	(255,615)	(27,393)	(12,030)	(111,850)	(56,509)	(22,689)	(694)	–	(486,780)
Payment of commission fees and other expenses related to issuance of senior notes	–	–	–	(1,650)	–	–	–	–	(1,650)
Payment of interest of convertible bonds	–	–	–	–	–	–	–	(106,063)	(106,063)
Principle element of lease payments	–	–	–	–	–	–	(16,018)	–	(16,018)
Payment of transaction cost of convertible bonds	–	–	–	–	–	–	–	(1,753)	(1,753)
Total Changes from financing cash flows	(5,853)	335,481	1,195,485	(206,508)	(57,109)	(22,689)	(16,712)	(107,816)	1,114,279
Non-cash changes									
Fair value change of convertible bonds	–	–	–	–	–	–	–	(61,560)	(61,560)
Interest expenses and transaction cost	265,856	30,590	22,945	91,381	34,507	22,228	10,442	–	477,949
Net exchange losses	608	–	(20,776)	5,746	–	–	–	–	(14,422)
Recognition of convertible bonds reserve	–	–	–	–	–	–	–	(548,433)	(548,433)
Currency translation differences	(3,129)	–	–	(13,804)	–	–	–	(50,468)	(67,401)
Lease modification	–	–	–	–	–	–	(269,525)	–	(269,525)
Total non-cash changes	263,335	30,590	2,169	83,323	34,507	22,228	(259,083)	(660,461)	(483,392)
At 31 December 2021	5,016,493	717,277	1,197,654	965,347	418,151	480,620	2,766	1,470,353	10,268,661

35 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank borrowings and interest RMB'000	Borrowings from other institutions and interest RMB'000	Senior notes and interest RMB'000	ABN and interest RMB'000	CMBS and interest RMB'000	Lease liabilities RMB'000	Convertible bonds and interest RMB'000	Total RMB'000
At 31 December 2019	4,155,539	–	2,864,343	452,605	–	309,074	996,259	8,777,820
Changes from financing cash flows:								
Proceeds from borrowings	1,459,500	370,000	983,895	–	500,000	–	–	3,313,395
Repayments of borrowings	(539,204)	(17,000)	(2,638,578)	(800)	–	–	–	(3,195,582)
Payment of interest of borrowings and lease liabilities	(275,148)	(12,379)	(261,012)	(47,932)	(26,584)	(360)	–	(623,415)
Payment of commission fees and other expenses related to issuance of senior notes	–	–	(8,003)	–	–	–	–	(8,003)
Proceeds from issuance of convertible bonds	–	–	–	–	–	–	657,025	657,025
Payment of interest of convertible bonds	–	–	–	–	–	–	(66,800)	(66,800)
Principle element of lease payments	–	–	–	–	–	(13,567)	–	(13,567)
Payment of transaction cost of convertible bonds	–	–	–	–	–	–	(25,933)	(25,933)
Total Changes from financing cash flows	645,148	340,621	(1,923,698)	(48,732)	473,416	(13,927)	564,292	37,120
Non-cash changes								
Fair value change of convertible bonds	–	–	–	–	–	–	802,092	802,092
Interest expenses and transaction cost	269,904	10,585	256,105	36,880	7,665	17,850	28,060	627,049
Net exchange losses	24	–	(27,452)	–	–	–	–	(27,428)
Conversion of convertible bonds	–	–	–	–	–	–	(49,549)	(49,549)
Rent Concession	–	–	–	–	–	(2,785)	–	(2,785)
Disposal of subsidiaries	(310,674)	–	–	–	–	–	–	(310,674)
Currency translation differences	(930)	–	(80,766)	–	–	–	(102,524)	(184,220)
Remeasurement of lease liabilities	–	–	–	–	–	(31,651)	–	(31,651)
Total non-cash changes	(41,676)	10,585	147,887	36,880	7,665	(16,586)	678,079	822,834
At 31 December 2020	4,759,011	351,206	1,088,532	440,753	481,081	278,561	2,238,630	9,637,774

36 Subsidiaries

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021

(i) Major subsidiaries — established in the PRC

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	2020	Ownership held as at 31 December by non-controlling interests 2021	2020	Principal activities	Places of major operation
Shanghai Yupei	12 June 2000	Private enterprise	339,671	339,671	**100.00%**	99.99%	–	0.01%*	Construction of storage facilities related to warehousing service	PRC
Tianjin Yupei Warehousing Co., Ltd.	27 March 2014	Private enterprise	110,000	110,000	**100.00%**	99.99%	–	0.01%*	Warehousing services, warehouse leasing, logistics, development and construction of warehousing facilities	PRC
Hefei Yuhang Warehousing Co., Ltd.	13 May 2014	Private enterprise	62,750	62,750	**100.00%**	99.99%	–	0.01%*	Warehousing services, warehouse leasing	PRC
Wuhu Yupei Investment Management Co., Ltd.	13 November 2013	Private enterprise	101,010	101,010	**100.00%**	99.99%	–	0.01%*	Investment management, project investment, enterprise management consulting	PRC
Chuzhou Yuhang Logistics Co., Ltd.	27 August 2007	Private enterprise	50,000	50,000	**100.00%**	99.99%	–	0.01%*	Cargo warehousing, cargo agents, stowage loading and unloading and related business advisory service	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	2020	Ownership held as at 31 December by non-controlling interests 2021	2020	Principal activities	Places of major operation
Shenyang Yupei Warehousing Co., Ltd. (b)	28 February 2012	Private enterprise	50,000	50,000	**100.00%**	51%	–	49%	Self-owned buildings leasing, warehousing services (excluding hazardous chemicals)	PRC
Shenyang Yuhang Logistics Co., Ltd.	25 March 2011	Private enterprise	90,000	90,000	**100.00%**	99.99%	–	0.01%*	Self-owned buildings leasing, warehousing services (Excluding inflammable and explosive hazardous chemicals)	PRC
Wuhan Yupei Warehousing Co., Ltd.	2 August 2011	Private enterprise	66,000	66,000	**100.00%**	99.99%	–	0.01%*	Warehousing services, cargo transportation consulting services	PRC
Beijing Linhaitan Trading Co., Ltd.	31 July 2006	Private enterprise	140,000	140,000	**100.00%**	99.99%	–	0.01%*	Warehousing, sales of building materials	PRC
Wuhu Yupei Warehousing Co., Ltd.	7 March 2013	Private enterprise	80,000	80,000	**100.00%**	99%	–	1%*	General cargo warehousing facilities rental, general cargo warehousing (except hazardous chemicals)	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	**2021**	2020	**2021**	2020		
Changchun Yupei Warehousing Co., Ltd.	24 December 2013	Private enterprise	70,450	70,450	**100%**	99.99%	**–**	0.01%*	Warehousing, house lease, property development and management	PRC
Suzhou Yupei Warehousing Co., Ltd.	30 October 2012	Private enterprise	179,000	179,000	**100%**	99.99%	**–**	0.01%*	Construction and management of storage facilities, property management	PRC
Zhengzhou Yupei Warehousing Co., Ltd. (b)	28 February 2014	Private enterprise	130,000	130,000	**100%**	51%	**–**	49%	Warehousing services	PRC
Jiaxing Yupei Warehousing Co., Ltd.	11 July 2014	Private enterprise	311,657	311,657	**100%**	99.99%	**–**	0.01%*	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistic information consulting services	PRC
Jinan Yupei Warehousing Service Co., Ltd.	6 August 2014	Private enterprise	70,707	70,707	**100%**	99.99%	**–**	0.01%*	Warehousing services, self-owned building leasing, logistic information consulting services	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	2020	Ownership held as at 31 December by non-controlling interests 2021	2020	Principal activities	Places of major operation
Nantong Yupei Warehousing Co., Ltd.	19 September 2014	Private enterprise	125,101	49,251	100%	99.99%	–	0.01%*	Warehousing services, management of storage facilities and other services, logistics information consulting services, self-owned building leasing and property management	PRC
Suzhou Yuqing Warehousing Co., Ltd.	10 October 2014	Private enterprise	202,020	202,020	100%	99.99%	–	0.01%*	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services	PRC
Changzhou Yupei Warehousing Co., Ltd.	8 October 2014	Private enterprise	247,475	92,475	100%	99.99%	–	0.01%*	Warehousing management (excluding hazardous article), related consulting and services, property management and self-owned buildings leasing	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	2020	Ownership held as at 31 December by non-controlling interests 2021	2020	Principal activities	Places of major operation
Huai'an Yupei Warehousing Co., Ltd.	31 October 2014	Private enterprise	92,929	92,929	100%	99.99%	–	0.01%*	Warehousing services, management of storage facilities, logistic information consulting services	PRC
Zhaoqing Yupei Warehousing Co., Ltd.	3 December 2014	Private enterprise	131,313	131,313	100%	99.99%	–	0.01%*	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistics information consulting	PRC
Shanxi Xixian New District Yupei Warehousing Co., Ltd.	18 December 2014	Private enterprise	186,414	186,414	100%	99.99%	–	0.01%*	Construction and operation of business distribution and settlement center and related supporting supply chain management system; management of order producing, tracking, settlement; management of warehousing services and warehousing facilities; self-owned building leasing; Warehouse leasing; Logistics information consulting services	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	2021	2020	2021	2020		
Wuxi Yupei Warehousing Development Co., Ltd. (b)	5 December 2014	Private enterprise	US$101,010	US$101,010	100%	51%	–	49%	Warehousing service (except hazardous chemicals) and consulting services, storage facilities leasing, property management	PRC
Changsha Yupei Warehousing Co., Ltd.	8 May 2015	Private enterprise	186,869	126,869	100%	99.99%	–	0.01%*	Warehousing management and consulting service; cargo storage (exclude hazardous article); building leasing, logistics information and consulting service	PRC
Shanghai Qingyang Horticulture Co., Ltd.	3 July 2001	Private enterprise	5,051	5,051	100%	99.98%	–	0.02%*	Flowers, seedling, fruit trees planting; landscape engineering; greening projects; warehousing service (except hazardous chemicals)	PRC
Suzhou Yuzhen Warehousing Co., Ltd.	28 November 2014	Private enterprise	505,051	261,851	100%	99.99%	–	0.01%*	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	2020	Ownership held as at 31 December by non-controlling interests 2021	2020	Principal activities	Places of major operation
Shanghai Yuzai Investment Management Co., Ltd.	16 January 2015	Private enterprise	150,000	150,000	100%	100%	–	–	Investment management, project investment, enterprise management consulting	PRC
Haerbin Yupei Warehousing Co., Ltd.	5 February 2015	Private enterprise	173,061	61,731	100%	99.99%	–	0.01%*	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants	PRC
Dalian Yupei Warehousing Co., Ltd.	19 May 2015	Private enterprise	505,051	191,051	100%	99.99%	–	0.01%*	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	2021	2020	2021	2020		
Chongqing Yupei Warehousing Co., Ltd.	27 January 2015	Private enterprise	202,020	165,020	100%	99.99%	–	0.01%*	Warehousing service (except hazardous chemicals); storage facilities leasing, self-owned building leasing (exclude accommodation); logistics information consulting service; manufacturing and selling automobile components and parts; property management	PRC
Chengdu Shengbao Iron Structure Co., Ltd. ("Chengdu Shengbao")	16 April 2010	Private enterprise	131,313	131,313	100%	99.99%	–	0.01%*	Production and sales of steel structure, painted metal and other metals; logistics service; warehousing service (except hazardous chemicals); property management and consulting service; lease of plants; goods and technology importation and exportation	PRC

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	Ownership interest held by the Group as at 31 December 2020	Ownership held as at 31 December by non-controlling interests 2021	Ownership held as at 31 December by non-controlling interests 2020	Principal activities	Places of major operation
Zhengzhou Hozdo Logistics Co., Ltd.	29 July 2011	Private enterprise	50,505	50,505	**100%**	99.99%	**–**	0.01%*	Warehousing services (excluding inflammable and explosive hazardous chemicals), self-owned buildings leasing, logistic information consulting services and related technical advisory	PRC
Shanghai Yuheng Logistics Management Co., Ltd.	9 October 2015	Private enterprise	1,000	1,000	**100%**	100%	**–**	–	Logistics management; logistic information consulting services; warehousing service (except hazardous chemicals); business consulting; industrial investment; property management; hotel management	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	**2021**	2020	**2021**	2020		
Shanghai Shuozheng Trading Co., Ltd.	30 January 2015	Private enterprise	111,111	111,111	**100%**	100%	**–**	–	Investment management consulting; business information consulting; enterprise management consulting; marketing planning; enterprise image design; warehousing service (except hazardous chemicals); research and sales of storage facilities	PRC
Jinan Yuzhen Warehousing Co., Ltd.	11 August 2015	Private enterprise	371,000	371,000	**100%**	99.99%	**–**	0.01%*	Warehousing services (excluding hazardous chemicals); self-owned buildings leasing; construction and management of storage facilities	PRC
Nanchang Yupei Warehousing Co., Ltd.	6 September 2016	Private enterprise	186,869	133,869	**100%**	99.99%	**–**	0.01%*	Warehousing services; construction and management of storage facilities; self-owned buildings leasing; logistics information consulting services; property management services	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	Ownership interest held by the Group as at 31 December 2020	Ownership held as at 31 December by non-controlling interests 2021	Ownership held as at 31 December by non-controlling interests 2020	Principal activities	Places of major operation
Zhoushan Yupei Warehousing Co., Ltd.	11 October 2016	Private enterprise	133,333	77,883	**100%**	99.99%	**–**	0.01%*	Construction, management and leasing of storage facilities; warehousing service (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting service; R&D and manufacturing of logistics equipment	PRC
Zhoushan Yuhang Warehousing Co., Ltd.	26 October 2016	Private enterprise	60,606	60,606	**100%**	99.99%	**–**	0.01%*	Construction, management and leasing of storage facilities (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting services	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	2020	Ownership held as at 31 December by non-controlling interests 2021	2020	Principal activities	Places of major operation
Guiyang Yupei Warehousing Co., Ltd.	2 November 2016	Private enterprise	227,273	185,273	100%	99.99%	–	0.01%*	Warehousing service; construction and management of storage facilities; construction and management of workshop; self-owned buildings leasing; storage facilities leasing; distribution and settlement of e-commerce; logistics information consulting services; property management and consulting services	PRC
Kunming Yupei Warehousing Co., Ltd.	9 November 2016	Private enterprise	191,919	191,919	100%	99.99%	–	0.01%*	Warehousing service; development, construction and management of storage facilities; logistics information consulting services; property management and consulting services	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	**2021**	2020	**2021**	2020		
Qingdao Yuhang Warehousing Co., Ltd.	12 December 2018	Private enterprise	205,000	205,000	**100%**	100%	**–**	–	Warehousing services (except banned and inflammable articles and dangerous chemicals); construction, development and operation of warehousing facilities; logistics information consulting services; property management services	PRC
Luohe Yupei Warehousing Co., Ltd.	7 January 2020	Private enterprise	50,000	50,000	**100%**	99.98%	**–**	0.02%*	Warehousing services (except hazardous chemicals), development, construction and operation of storage facilities, supply chain management, e-commercial information consulting services, logistics information consulting and property management services.	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	2021	2020	2021	2020		
Bengbu Yupei Warehousing Co., Ltd.	23 April 2020	Private enterprise	50,000	50,000	**100%**	99.98%	**–**	0.02%*	Warehousing services (excluding hazardous chemicals, inflammable and explosive hazardous chemicals, radioactive chemicals, hazardous waste), R&D,installation and sales of intelligent warehousing equipment, supply chain management services, e-commercial information consulting services, logistics information consulting services, property management services, processing and packing of agricultural goods and leasing of sites.	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Ownership interest held by the Group as at 31 December 2021	2020	Ownership held as at 31 December by non-controlling interests 2021	2020	Principal activities	Places of major operation
Nanning Yupei Warehousing Co., Ltd.	28 February 2020	Private enterprise	137,000	27,090	100%	99.99%	–	0.01%*	Warehousing services (except hazardous chemicals), development, construction and operation of storage facilities, logistics information consulting and property management services.	PRC
Zhangzhou Yupei Logistics Co., Ltd.	13 November 2017	Private enterprise	80,000	80,000	100%	99.99%	–	0.01%*	Road freight transportation and cargo storage (except hazardous chemicals); construction, operation and leasing of storage facilities; property management consulting services; logistics information consulting services; research and development and manufacturing of machinery and equipment.	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	2021	2020	2021	2020		
Shijiazhuang Yuqing Warehousing Co., Ltd.	12 February 2018	Private enterprise	101,010	51,000	100%	100%	–	–	Warehousing services (except hazardous chemicals); construction of storage facilities; housing leasing; logistics services and cargo information consulting services; property management.	PRC
Shanghai Yuji Industrial Co., Ltd.	19 January 2018	Private enterprise	166,667	166,667	100%	100%	–	–	Real estate development, self-owned housing leasing, property management, warehousing services (except hazardous chemicals), machinery and equipment, auto parts sales, business consulting, engaged in new energy technology in the field of technology development, technical consulting, technical services.	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	2021	2020	2021	2020		
Shanghai Yuji Investment Management Consulting Co., Ltd.	05 February 2015	Private enterprise	620,000	490,754	100%	–	–	–	Investment management consulting, business information consulting, construction, operation and leasing of industrial plants.	PRC
Wuhan Yuzhen Supply Chain Management Co., Ltd.	04 March 2021	Private enterprise	US$15,000	95,500	100%	–	–	–	Supply chain management services; production, sales, processing, transportation, storage and other related services of agricultural products (excluding aquatic products); general cargo warehousing services (excluding hazardous chemicals and other items requiring license approval); non-residential real estate leasing; property management; information consulting services (excluding licensed information consulting services).	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	2021	2020	2021	2020		
Tengda Industrial Facilities Development (Suzhou) Co., Ltd.	31 January 2019	Private enterprise	US$50,000	89,861	100%	–	–	–	Intelligent basic manufacturing equipment manufacturing; non-residential real estate leasing; enterprise management.	PRC
Shanghai Yupei Investment Management Co., Ltd.	19 November 2003	Private enterprise	10,101	10,101	100%	99.99%	–	0.01%*	Investment management (except equity investment and equity investment management), investment consulting, corporate management consulting (the above consulting is excluded from brokerage).	PRC

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(All amounts in RMB unless otherwise stated)

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Ownership interest held by the Group as at 31 December		Ownership held as at 31 December by non-controlling interests		Principal activities	Places of major operation
			RMB'000	RMB'000	2021	2020	2021	2020		
Zhejiang Zhiyao Wulian Technology Co., Ltd.	27 February 2019	Private enterprise	250,000	200,020	100%	100%	–	–	Technology development, technical consulting, technical services, technology transfer, wholesale and retail of computer software and hardware, mechanical and electrical equipment, electronic products, packaging materials, self-owned housing leasing, machinery and equipment leasing, business information consulting, warehousing services for general goods, wholesale, retail, technical consulting, technical services, property services of warehousing equipment, import and export of self-operated and agent goods and technologies, except for goods and technologies that are restricted by the state or prohibited from import and export.	PRC

36 Subsidiaries (continued)

(a) Particulars of the major subsidiaries of the Group as at 31 December 2021 (continued)

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

* In accordance with the equity transfer and contribution agreements entered into by the Group with Yaochang International Co., Ltd. ("Yaochang") and Shengtai International Group Ltd. ("Shengtai"), respectively, in 2018, the Group transferred 0.01%–1%, where applicable, the equity interests in these subsidiaries to Yaochang and Shengtai, respectively, for a total cash consideration of RMB1,300,000. The Group has entered into equity transfer agreement on 8 September 2021 and 14 September 2021 with Yaochang and Shengtai, respectively. Pursuant to which the Group has purchased back the equity interests in relevant subsidiaries from Yaochang and Shengtai with the cash consideration of RMB800,000 and RMB500,000, respectively based on net assets of relevant subsidiaries of the Group.

(ii) Subsidiaries — established in the Cayman Islands ("Cayman"), British Virgin Islands ("B.V.I") and Hong Kong ("HK")

The Company has several wholly-owned subsidiaries established in Cayman, B.V.I and HK. These subsidiaries are all investment holding companies.

(b) Material non-controlling interests

The Group has no non-controlling interests outstanding as at 31 December 2021 (31 December 2020: RMB819,725,000), subsequent to the withdrawal of non-controlling shareholders from the Yupei Logistics Property Fund I Limited Partnership ("the Partnership"). To achieve the withdrawal, the Fund made a cash distribution to the non-controlling shareholder in an amount of US$24,967,592 (equivalent of RMB161,925,000) and a refund of capital contribution of US$116,333,111 (equivalent of RMB754,454,000) during 2021.

37 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investment properties	**1,059,950**	525,637

(b) Repairs and maintenance on investment properties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contractual obligation for future repairs and maintenance-not recognised as a liability	**23,454**	23,479

38 Contingencies

Other than disclosed elsewhere, the Group did not have significant contingent liabilities as at 31 December 2021 and 31 December 2020.

39 Related party transactions

Mr. Li Shifa ("Mr. Li") and Ms. Ma Xiaocui ("Ms. Ma") (the spouse of Mr. Li) were the substantial shareholders of the Group at 31 December 2021 and their subsidiaries are regarded as the related parties to the Group. Mr Li's dealing with the Group in respect of the call option to acquire 41% ownership interest in Shanghai Hongyu is disclosed in Note 15(b). The call option granted is accounted for as a financial liability of the Group with fair value loss of RMB 77,756,000 charged to profit or loss for the year.

39 Related party transactions (continued)

JD Property Group Corporation (formerly known as Jingdong Logistics Group Corporation, "JD Shareholder") subscribed for 321,068,999 newly issued shares of the Company on 11 May 2018. After the completion of the subscription, JD Shareholder holds 9.87% of the total issued shares of the Company, and also by representation in the Company's Board, JD Shareholder is regarded as a related party since 11 May 2018. As JD Shareholder is wholly controlled by JD.com, Inc., JD.com, Inc. and all its subsidiaries (together "JD Subsidiaries") are regarded as the related parties since 11 May 2018.

JD Shareholder increased its holding from 321,068,999 shares to 1,286,011,999 shares, representing an increase from approximately 9.87% to approximately 37.02% on 28 January 2022 upon the completion of sale and purchase agreement. Accordingly, JD subsidiaries are regarded as connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

Names and relationships with related parties as at 31 December 2021 are as follows:

Company name	Relationships
Shanghai Yupei Industrial (Group) Co., Ltd. ("Shanghai Yupei Industrial")	Entity controlled by substantial shareholders — Mr. Li and Ms. Ma of the Group
Shanghai Yupei Express Logistics Co., Ltd. ("Yupei Express Logistics")	Entity controlled by substantial shareholders — Mr. Li and Ms. Ma of the Group
Yupei Supply Chain Management Co., Ltd. ("Yupei Supply Chain")	Entity controlled by substantial shareholders — Mr. Li and Ms. Ma of the Group
Shanghai Zhonglun Property Management Co., Ltd. ("Shanghai Zhonglun")	Entity controlled by substantial shareholders — Mr. Li and Ms. Ma of the Group
Yupei Logistics Property Development 15 Co., Ltd. ("Development 15")	Subsidiary of the associate of the Group
Yupei Logistics Property Development 10 Co., Ltd. ("Development 10")	Subsidiary of the associate of the Group
Shanghai Hongyu	Associate of the Group
Management 10	Associate of the Group
Management 15	Associate of the Group
Management 12	Associate of the Group
Huizhou Yuanwang	Subsidiary of the associate of the Group
TianJin Yupei Logistics	Subsidiary of the associate of the Group
Nanjing Yupei	Subsidiary of the associate of the Group
Kunshan Yuzai	Subsidiary of the associate of the Group
JD Subsidiaries	Entities controlled by substantial shareholder — JD.com, Inc. of the Group

39 Related party transactions (continued)

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. The significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2021 and 2020, and balances arising from related party transactions as at 31 December 2021 and 2020 are summarised below.

(a) Services provided to related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income and revenue from providing property management services to		
— JD Subsidiaries	**215,061**	233,476
— Yupei Supply Chain	**51,551**	47,646
— Kunshan Yuzai	**—**	9,369
— Yupei Express Logistics	**9,988**	8,677
— Shanghai Yupei Industrial	**6,168**	6,417
— TianJin Yupei Logistics	**—**	1,581
— Huizhou Yuanwang	**—**	902
— Nanjing Yupei	**—**	4
	282,768	308,072

(b) Lease transactions with related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Property management fee payment to		
— Shanghai Zhonglun	**2,264**	2,264
Interest expense on lease liabilities (Note 31)		
— Shanghai Hongyu	**10,442**	17,850
Lease fee payment to (Note 8)		
— Shanghai Hongyu	**16,712**	13,927

39 Related party transactions (continued)

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

The above related party transactions in respect of rental income and revenue from providing property management services above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the section "Connected Transactions" in the Report of Directors. The property management fee payment to Shanghai Zhonglun are continuing connected transactions but are exempted from these disclosure requirements as they are below the de minimis threshold under Rule 14A.76(1).

(c) Advances to and from related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Advances to		
— Nanjing Yupei	**—**	17,600
— Shanghai Hongyu	**7,400**	—
	7,400	17,600
Receipt of advances to		
— Tianjin Yupei Logistics	**158**	86,704
— Huizhou Yuanwang	**347**	46,151
— Shanghai Hongyu	**—**	32,392
— Nanjing Yupei	**16,369**	—
— Kunshan Yuzai	**4,405**	—
	21,279	165,247
Advances from		
— Shanghai Hongyu	**—**	82,391
Repayment of advances from		
— Shanghai Hongyu	**23,295**	59,096

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

39 Related party transactions (continued)

(d) Key management personnel compensation

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fees	1,495	1,565
Salaries, wages and bonuses	10,881	10,677
Employees share option expenses	—	—
Other social security cost, housing benefits and other employee benefits	890	363
Termination benefits	3,086	—
	16,352	12,605

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayment to		
— JD Subsidiaries	206	238
Trade receivables from related parties (Note 11(a))		
— Yupei Supply Chain	14,795	24,634
— JD Subsidiaries	4,814	4,648
— Yupei Express Logistics	—	4,173
— Shanghai Yupei Industrial	194	—
	19,803	33,455

39 Related party transactions (continued)

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Rental deposits and other receivables from (Note 12(a))		
— Nanjing Yupei	**1,255**	17,604
— Kunshan Yuzai	**393**	4,798
— Shanghai Hongyu		
— Rental deposits	**2,000**	2,000
— Advances	**7,400**	—
— Huizhou Yuanwang	**1,519**	1,866
— TianJin Yupei Logistics	**752**	910
— Management 12	**—**	20
	13,319	27,198
Long-term rental deposits payable to (Note 23)		
— JD Subsidiaries	**14,636**	21,361
Prepaid rents from (Note 24)		
— JD Subsidiaries	**13,508**	11,012
— Yupei Supply Chain	**14**	—
	13,522	11,012
Contract liabilities		
— Yupei Supply Chain	**10**	—
— JD Subsidiaries	**8,434**	5,726

39 Related party transactions (continued)

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Rental deposits payable to (Note 24)		
— JD Subsidiaries	**26,943**	32,574
— Yupei Express Logistics	**—**	—
— Yupei Supply Chain	**—**	—
	26,943	32,574
Advances from (Note 24)		
— Shanghai Hongyu	**—**	23,295
Leasing liabilities (Note 8)		
— Shanghai Hongyu		
— Current	**2,766**	14,811
— Non-current	**—**	263,750
	2,766	278,561

The receivables from and payables to related parties as at 31 December 2021 and 2020 arise mainly from ordinary course of businesses. The receivables are unsecured in nature and bear no interest except for the advances to Shanghai Hongyu, which was repaid in January 2020. There are no provisions made against receivables from related parties.

40 Events occurring after the balance sheet date

(a) Completion of the sale and purchase agreement and offers for shares, convertible bonds and senior note.

On 1 September 2021, Yupei International Investment Management Co., Ltd ("Yupei International"), one of the substantial shareholders of the Company has entered into a sale and purchase agreement with JD Property Group Corporation ("JD Property"), pursuant to which Yupei International conditionally agreed to sell, and the JD Property has conditionally agreed to acquire, 916,488,000 shares in the company (being all the shares in which Yupei International has a beneficial interest) at the purchase price of HK$4.35 per share, for a total cash consideration of HK$3,986,722,800. These shares represent approximately 26.38% of the issued share capital of the Company as at the date of that joint announcement.

The completion of the sale and purchase agreement took place on 28 January 2022 as all conditions which were specified in the sale and purchase agreement has been satisfied. Immediately upon the completion, JD Property and parties acting in concert with it are interested in an aggregate of 1,286,011,999 Shares, representing approximately 37.02% of the issued share capital of the Company.

Pursuant to relevant rules and regulations, JD Property is required to make a general offer for all the issued shares of the company and make the Convertible Bond Offer to acquire all the outstanding Convertible Bonds issued by the Group, respectively. These offers have become unconditional in all respects on 8 February 2022 as JD Property holds more than 50% of the voting rights of the Company.

In addition to the offers in respect of the shares and convertible bonds offered by JD Property, the Company also offers to the holders of 2020 Exchange Notes to purchase all its outstanding 2020 Exchange Notes in cash. On 25 March 2022, the offer has been accepted by the holders of 2020 Exchange Notes and the Company has decided to purchase all outstanding senior notes with total consideration of US$156,276,041.67.

(b) Resignation and Appointment of Directors

Subsequent to the completion of the sale and purchase agreement, there is a change in the directorship of the company. None of the outgoing Directors will be given any benefit as compensation for loss of office. Each of the resigning directors has resigned as a result of completion of the sale and purchase agreement.

41 Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**7,327,594**	7,816,971
Long-term prepayments		**10**	29
		7,327,604	7,817,000
Current assets			
Trade and other receivables		**366**	403
Prepayments		**270**	122
Loans to subsidiaries		**—**	807,560
Cash and cash equivalents		**9,023**	140,500
		9,659	948,585
Total assets		**7,337,263**	8,765,585
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	16(b)	**1,417**	1,328
Share premium	16(b)	**7,140,725**	6,508,745
Treasury shares	16(b)	**(254,961)**	(97,533)
Other reserves	(a)	**(315,064)**	(629,721)
Accumulated losses	(a)	**(1,819,829)**	(1,908,728)
Total equity		**4,752,288**	3,874,091

41 Statement of financial position and reserve movement of the Company (continued)

Statement of financial position of the Company (continued)

		As at 31 December	
	Note	**2021**	2020
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Convertible bonds	21	**563,602**	2,236,503
Borrowings	20	**96,687**	1,079,548
		660,289	3,316,051
Current liabilities			
Borrowings		**969,574**	97,458
Amounts due to subsidiaries		**36,274**	1,447,007
Trade and other payables		**12,461**	30,978
Convertible bonds	21	**906,377**	—
		1,924,686	1,575,443
Total liabilities		**2,584,975**	4,891,494
Total equity and liabilities		**7,337,263**	8,765,585

The Statement of financial position of the Company was approved by the Board on 31 March 2022 and was signed on its behalf by:

_________________________	_________________________
Hu Wei	**Yang Jing**
Executive Director and Chairman	**Executive Director**

41 Statement of financial position and reserve movement of the Company (continued)

(a) Reserve movement of the Company

			Other reserves			
	Accumulated losses RMB'000	Share-based payments RMB'000 (Note 19)	Currency translation differences RMB'000	Convertible bonds reserve RMB'000 (Note 21)	Deemed contribution from equity holders RMB'000 (Note 18)	Total RMB'000
At 1 January 2020	(1,121,944)	13,691	(513,137)	–	139,716	(1,481,674)
Loss for the year	(786,784)	–	–	–	–	(786,784)
Currency translation differences	–	–	(259,912)	–	–	(259,912)
Employee share option scheme – Exercise of share options	–	(10,079)	–	–	–	(10,079)
At 31 December 2020	(1,908,728)	3,612	(773,049)	–	139,716	(2,538,449)
At 1 January 2021	**(1,908,728)**	**3,612**	**(773,049)**		**139,716**	**(2,538,449)**
Profit for the year	**85,287**	**–**	**–**	**–**	**–**	**85,287**
Currency translation differences	**–**	**–**	**(137,810)**	**–**	**–**	**(137,810)**
Change in fair value of convertible bonds from own credit risk	**–**	**–**	**–**	**(92,354)**	**–**	**(92,354)**
Convertible notes conversion component	**–**	**–**	**–**	**548,433**	**–**	**548,433**
Employee share option scheme – Expired of share options	**3,612**	**(3,612)**	**–**	**–**	**–**	**–**
At 31 December 2021	**(1,819,829)**	**–**	**(910,859)**	**456,079**	**139,716**	**(2,134,893)**

42 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company for the years ended 31 December 2021 and 2020 are set out as follows:

	Year ended 31 December 2021						
Name of Director	Fees	Salaries, wages and bonuses	Employees share option expenses	Employer's contribution to a pension plan	Other social security cost and employee benefits	Termination benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:							
Mr. Li Shifa	–	2,203	–	57	65	–	2,325
Mr. Wu Guolin	–	1,834	–	57	65	–	1,956
Ms. Li Huifang	–	1,103	–	57	65	–	1,225
Ms. Shi Lianghua	–	998	–	57	65	–	1,120
Mr. Cheuk Shun Wah (i)	–	1,700	–	–	6	3,086	4,792
Mr. Wu Guozhou	–	654	–	57	65	–	776
Mr. Xie Xiangdong	–	728	–	57	65	–	850
Non-executive Directors:							
Ms. Li Qing	–	–	–	–	–	–	–
Mr. Huang Xufeng (ii)	–	–	–	–	–	–	–
Mr. Fu Bing	–	–	–	–	–	–	–
Independent Non-executive Directors:							
Mr. Guo Jingbin	299	–	–	–	–	–	299
Mr. Fung Ching Simon	299	–	–	–	–	–	299
Mr. Wang Tianye	299	–	–	–	–	–	299
Mr. Leung Chi Ching Frederick	299	–	–	–	–	–	299
Mr. Chen Yaomin	299	–	–	–	–	–	299
	1,495	9,220	–	342	396	3,086	14,539

42 Benefits and interests of directors (continued)

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

	Year ended 31 December 2020					
Name of Director	Fees RMB'000	Salaries, wages and bonuses RMB'000	Employees share option expenses RMB'000	Employer's contribution to a pension plan RMB'000	Other social security cost and employee benefits RMB'000	Total RMB'000
Executive Directors:						
Mr. Li Shifa	–	2,203	–	4	48	2,255
Mr. Wu Guolin	–	1,284	–	4	48	1,336
Ms. Li Huifang	–	1,000	–	4	48	1,052
Ms. Shi Lianghua	–	899	–	4	48	951
Mr. Cheuk Shun Wah	–	3,730	–	–	16	3,746
Mr. Wu Guozhou	–	398	–	–	35	433
Mr. Xie Xiangdong	–	577	–	–	52	629
Non-executive Directors:						
Ms. Li Qing	–	–	–	–	–	–
Mr. Huang Xufeng	–	–	–	–	–	–
Mr. Fu Bing	–	–	–	–	–	–
Independent Non-executive Directors:						
Mr. Guo Jingbin	313	–	–	–	–	313
Mr. Fung Ching Simon	313	–	–	–	–	313
Mr. Wang Tianye	313	–	–	–	–	313
Mr. Leung Chi Ching Frederick	313	–	–	–	–	313
Mr. Chen Yaomin	313	–	–	–	–	313
	1,565	10,091	–	16	295	11,967

42 Benefits and interests of directors (continued)

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

(i) Mr. Cheuk Shun Wah resigned as executive director and Chief Financial Officer of the Company on 10 May 2021, Mr. Cheuk Shun Wah received HKD3,688,000 (equivalent to RMB3,086,000) as compensation for loss of office.

(ii) Mr. Huang Xufeng resigned as non-executive director of the Company on 5 February 2021.

(iii) During the year ended 31 December 2021, no directors received emoluments from the Group as inducement to join or upon joining the Group. No directors waived or had agreed to waive any emoluments.

(iv) All existing Directors other than Mr. Fu Bing have resigned from the Board with effect from 1 March 2022. None of the existing Directors will be given any benefit as compensation for loss of office.

(b) Directors' retirement benefits

During the year ended 31 December 2021, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2020: Nil).

(c) Directors' termination benefits

During the year ended 31 December 2021, except for Mr. Cheuk Shun Wah, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2020: Nil).

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

During the year ended 31 December 2021, no consideration was provided to or receivable by third parties for making available director's services (2020: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities at the years ended 31 December 2021 and 2020 or at any time during the years.

42 Benefits and interests of directors (continued)

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the years ended 31 December 2021 and 2020 or at any time during the years, and disposal in Note 39.

43 Possible Impact of Amendments, New Standards And Interpretations Issued But Not Yet Effective For The Year Ended 31 December 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the conceptual framework*	1 January 2022
Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to IAS 37, *Onerous contracts — cost of fulfilling a contract*	1 January 2022
Annual improvements to *IFRSs 2018-2020 cycle*	1 January 2022
Amendments to IAS 1, Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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