中国物流资产 CHINA LOGISTICS PROPERTY HOLDINGS

2017 年度報告 ANNUAL REPORT

START 開 启 新 篇 章 A NEW CHAPTER

中國物流資產控股有限公司
CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD
(於開曼群島註冊成立的有限公司)
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

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

股份代號：1589
STOCK CODE : 1589

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Shifa *(Chairman)*
Mr. Pan Naiyue
Mr. Zhang Long
Mr. Wu Guolin
Ms. Li Huifang
Mr. Chen Runfu
Mr. Cheuk Shun Wah
Ms. Shi Lianghua

Non-executive Directors

Mr. Huang Xufeng
Ms. Li Qing

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Fung Ching Simon *(Chairman)*
Mr. Guo Jingbin
Mr. Leung Chi Ching Frederick

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. So Ka Man

AUTHORIZED REPRESENTATIVES

Ms. Li Qing
Ms. So Ka Man

LEGAL ADVISORS

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Simpson Thacher & Bartlett
35/F, ICBC Tower
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As to PRC law:
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AUDITOR

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Certified Public Accountants
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COMPLIANCE ADVISOR

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COMPANY'S WEBSITE

www.cnlpholdings.com

STOCK CODE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3213, Cosco Tower
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Sheung Wan
Hong Kong

PRINCIPAL BANKS

Ping An Bank Co., Ltd., Shanghai Branch
Bank of China Co., Ltd. Suzhou High-tech Industrial Development Zone Sub-branch
China Merchants Bank Co., Ltd. Suzhou Ganjianglu Sub-branch
Ping An Bank Co., Ltd., Hangzhou Branch
Industrial and Commercial Bank of China Ltd., Beijing Tongzhou Sub-branch

Financial Summary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEETS

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

Note:

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

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

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

Chairman's Statement

Dear Shareholders,

In 2017, benefiting from the good fundamentals of the Chinese economy, continuous growth of domestic consumption and further development of e-commerce and third party logistics, premium logistics facilities industry extended the high speed development trend in recent years. As a leading supplier of premium logistics facilities in the PRC, China Logistics Property Holdings Co., Ltd (the "**Company**" or "**China Logistics Property**") proactively sized the industry development opportunities and has always adhered to the core value of "striving, effectiveness, open, innovation and win-win" in further steady development for becoming the largest supplier of premium logistics facilities in the PRC.

Proactively forging ahead and seizing good opportunities of industry development. It is the constant theme of China Logistics Property to forge ahead proactively, which is also the key to maintain long-term healthy and stable development of the Company. China Logistics Property is one of the professional companies which were the earliest to engage in development and operation of premium logistics facilities in the PRC. Capitalizing on accurate understanding of opportunities in the industry, the Company has become a leading supplier of logistics infrastructure and service provider in the PRC and has taken the initiative in listing on the Hong Kong Stock Exchange. When the domestic premium logistics facilities industry is still in the ascendant, on the one hand, the Company, embracing the mind of forging ahead progressively, continuously promotes the perfection of its nationwide network and layout with the focus placed on the economically most developed regions in the PRC including the Yangtze River Delta, the Pearl River Delta and the circum-Bohai-Sea area whiling seizing the investment opportunities brought about by the development in central and western China; on the other hand, our facilities are constantly updated to satisfy the requirements of new retail and intelligent logistics on infrastructures and get a head start in industry development.

Continuous innovation for provision of the optimal facilities and services for customers. Customers are of vital importance to China Logistics Property. We deem customers as a community with a common density and shoulder the responsibility of creating value for customers. We have always maintained good communication with the extensive customers and listened to customers' voices. We try to satisfy customers' demands to the greatest extent through continuous innovation in terms of product, management, service, and other aspects. Meanwhile, we deeply tap customers' potential demands through communication with them and study and judgment on the market, striving to meet and surpass customers' expectations in respect of supply of facilities and services, so as to create value for customers. For this reason, we have gained sufficient trust in cooperation with customers and have gradually achieved lasting cooperation in a wider range.

Share of growth to provide the best business platform for employees. The success of extraordinary cause needs first-rate talents. We have always deemed talents as the most important resources for the Company and we stress the cultivation and development of employees' capacity, with a view to provision of a broad career platform, allowing them to grow together with the Company. The previous achievements obtained by the Company are the result of all employees' joint efforts. In the future, the Company will have more demands on outstanding employees and managers. It was, is and will still be an important mission of the Company to let employees have the sense of belonging, achievement, acquisition and happiness.

Chairman's Statement

The year of 2018 will be a year full of opportunities for the Company. Under the joint effects of high speed growth of domestic e-commerce, long-term active demands of third party logistics and express delivery enterprises for warehousing, elimination of old warehousing facilities as a result of the accelerated urbanization, the formation of new logistics hubs due to the upgrade of infrastructures in central and western China, and other favourable factors, the market demands for premium logistics facilities will still maintain an exuberant trend in a long period in the future. China Logistics Property will further improve its internal management and energetically seize development opportunities, with an aim to enhance operating results and actively prevent operational risks, to repay shareholders, customers and employees with better performance.

Li Shifa
Chairman of the Board
Hong Kong, 26 March 2018

Chief Executive's Statement

Dear Shareholders,

Benefiting from the sound development environment, the premium logistics facilities industry in the PRC continued a good momentum of high-speed development in 2017. In respect of supply and demand relation in the market, e-commerce, third-party logistics, trade and retail, manufacturing and other industries contribute the major demands of domestic high-end logistics facilities. In 2017, the total amount of domestic online retail sales, consumer goods sales in the society and logistics in the society increased by 32.2%, 10.2% and 6.7% year-on-year, respectively. The manufacturing industry also presented a good trend of thorough recovery. The robust market demands drove the rapid growth of the high-end logistics facilities industry in terms of major indicators including market supply, absorption volume, average occupancy rate, and average rental.

As one of the leading enterprises in the industry, China Logistics Property has over 15 years of experience in development and operation of premium logistics facilities and is advantageous in terms of business mode, asset size, operation quality, team capability and development potential. As at 31 December 2017, the area of logistics facilities portfolio held by the Company reached 3.1 million sq.m. According to the statistical report issued by DTZ, from the perspective of ranking in respect of total interested GFA, we are the second largest supplier of premium logistics facilities in the Chinese market, further consolidating our advantageous leading position in the market. The Company has developed business in 28 logistics hubs and further expanded the coverage of its network. Meanwhile, the area of project land reserved by the Company reached 3.7 million sq.m., which will provide powerful support for the Company's future expansion plan. Besides, in 2017, the Company's revenue recorded a year-on-year increase of 49.1% and the cash flow from operating activities went up by 60.9% year-on-year. The value of logistics facilities increased by 15.2% and the profit for the current period attributable to the owners of the Company rose by 22.9%. All these factors contributed to the substantial increase in operating results.

Based on the analysis on the fundamentals of the industry, we are of the view that the domestic high-end logistics facilities industry is currently in a very rare period with historic opportunities and will see a broad room for development in the future. Our judgment is mainly based on the following aspects: 1. The domestic economic fundamentals are sound in the PRC. In 2017, GDP increased by 6.9% year-on-year. A general view is that the annual growth rate of Chinese GDP will maintain at above 6% in a relatively long period in the future; 2. The constant increase in national disposable income, continuous rise in consumption and the rapid development of e-commerce are conducive to the further release of domestic consumption demands and will also propel the long-term stable growth of third-party logistics industry; 3. With the unceasing acceleration of China's urbanization, on the one hand, the expansion of city size will certainly lead to new demands for high-end logistics facilities and, on the other hand, the adjustment to urban planning will result in demolition of a large batch of old warehousing facilities, generating demands for standard facilities for replacement; 4. The high-end logistics facilities industry of the PRC has achieved significant development. However, compared with the markets in the United States and other developed countries, there is still a great gap in respect of stocks in the market. In addition, the per capita number of facilities is only one thirteenth of that in the United States, and thus there is a tremendous growth potential.

Chief Executive's Statement

We are of the view that China Logistics Property must seize and is positioned to grasp the period with historic opportunities for industrial development to realize the Company's existing development strategy. Our confidence is originated from the competitive advantages beyond duplication gained by the Company in 15 years of tapping into the industry. We have great potentials for expansion and a successful business model which has been sufficient verified. The Company has achieved standardization in terms of project site selection plan, construction, lease and property management, enabling us to acquire constant and stable return on investment in a short period. The rich and quality customer bases with a reasonable structure as well as the solid strategic cooperation with many customers allow us to resist the cyclical fluctuations in segments and maintain a high occupancy rate and rental. We have enormous land reserves and a strong capacity to acquire land resources, which is built on the strategic network and layout established by our predecessors. The strong brand awareness and close communication maintained with local governments in many years will offer powerful support for the Company's future expansion plan. Meanwhile, we have an outstanding, stable and experienced professional management team to lead the Company's development. The members of our senior management have diversified background with an average of over 10 years of experience in relevant fields, which can ensure our stable strategy, consistent objectives and powerful executive force.

In the coming year, we will continue to consolidate the robust fundamentals of China Logistics Property and our leading position in the industry. In the meantime, the Company, upholding the strategy of achieving stabilization and sustainable development, will exert further efforts to enhance corporate governance and improve operation quality, striving to achieve balance between size and benefits and between speed and quality, to create new value.

Last but not least, we would like to express our sincere gratitude to our shareholders, customers, partners and employees for their support to us in the past year.

Pan Naiyue
Executive Director and Chief Executive
26 March 2018

Business Review and Outlook

BUSINESS OVERVIEW

As of 31 December 2017, the Company had 130 logistics facilities in operation in 27 logistics parks, located in logistics hubs in 14 provinces or centrally administered municipalities.

As demands from tenants in e-commerce and third-party logistics providers ("3PL") industries continued to increase, the Group expanded its network of logistics facilities to cope with such demand and thereby grew its revenue by 49.1% from RMB270.9 million in 2016 to RMB403.9 million in 2017. The Group's gross profit increased from RMB182.0 million in 2016 to RMB275.7 million in 2017. As of 31 December 2017, the Group's occupancy rate for stabilized logistics parks has increased to 89.8%, which was in line with the Company's expectation.

MAJOR OPERATING DATA OF THE GROUP'S LOGISTICS PARKS

The following table sets forth the major operating data of the Group's logistics parks in 2017:

	As of 31 December	
	2017	2016
Completed GFA:		
Stabilized logistics parks (million sq.m.)[1]	**2.3**	0.9
Pre-stabilized logistics parks (million sq.m.)[2]	**0.1**	1.2
Total (million sq.m.)	**2.4**	2.1
Logistics parks under development or being repositioned (million sq.m.)	**0.7**	0.4
Land held for future development (million sq.m.)	**0.8**	0.6
Investments accounted for using equity method (million sq.m.)	**0.1**	0.1
Total GFA (million sq.m.)	**4.0**	3.2
Investment projects (million sq.m.)[3]	**2.8**	3.3
Occupancy rate for stabilized logistics parks (%)[1]	**89.8**	86.6

(1) Logistics facilities (i) for which construction have been completed for more than 12 months as of 31 December 2017 or 2016 (as the case may be) or (ii) reached an occupancy rate of 90%.

(2) Logistics facilities (i) for which construction or acquisition have been completed for less than 12 months as of 31 December 2017 and 2016 (as the case may be) and (ii) reached an occupancy rate less than 90%.

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

BREAKDOWN OF INVESTMENT PROPERTIES

Completed Logistics Parks

The following table sets forth a summary of all the Group's completed and stabilized logistics parks as of 31 December 2016 and 2017, together with the valuation of such logistics parks:

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Beijing Yupei Linhaitan Logistics Park, East Zhanggezhuang Village, Yongledian Town, Tongzhou District, Beijing, PRC	**83,329**[(3)]	Logistics Facilities	Yes	643	**649**
Shanghai Yuhang Huangdu Logistics Park, 1000 Xiechun Road, Jiading District, Shanghai, PRC	**35,083**	Logistics Facilities	Yes	154	**165**
Suzhou Yupei Logistics Park, east to Dongtinghu Road, Zhoushi Town, Kunshan, Jiangsu Province, PRC	**118,613**	Logistics Facilities	Yes	759	**770**
Wuhan Yupei Hannan Logistics Park, Wujin Industrial Park, Dongjing Street, Hannan District, Wuhan, Hubei Province, PRC	**73,098**	Logistics Facilities	Yes	312	**309**
Shenyang Yupei Shenbei Logistics Park, No. 10 Hongye Street, Shenyang New North Area, Shenyang, Liaoning Province, PRC	**84,621**	Logistics Facilities	Yes	394	**383**

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Shenyang Yupei Economic & Development Zone Logistics Park, No. 17 Shenxi Jiudong Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning Province, PRC	**40,262**	Logistics Facilities	Yes	175	**174**
Zhengzhou Yupei Huazhengdao Logistics Park, east of Yitong Street and Xida Road, Zhengzhou, Henan Province, PRC	**31,166**	Logistics Facilities	Yes	151	**154**
Chuzhou Yuhang Logistics Park Phase I & II, No. 8 Huayuan West Road, Langya District, Chuzhou, Anhui Province, PRC	**63,568**	Logistics Facilities	Yes	290	**295**
Wuhu Yupei Logistics Park, Sanshan District Logistics Park, Sanshan District, Wuhu, Anhui Province, PRC	**90,304**	Logistics Facilities	Yes	272	**276**
Zhengzhou Yupei Logistics Park, south of Gucheng South Road, west of Jinsha Avenue, north of Xida Road, east of Litong Road, Zhongmou Town, Zhengzhou, Henan Province, PRC	**112,081**	Logistics Facilities	Yes	563	**564**

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Tianjin Yupei Logistics Park, southwest of Xiangjiang Avenue and Bohai 26th Road, Tianjin Harbor Economic Area, Binhai New District, Tianjin, PRC	**96,407**	Logistics Facilities	Yes	505	**505**
Hefei Yuhang Logistics Park, southeast of the intersection of Donghua Road and Xinhua Road, Cuozhen Town, Feidong County, Hefei, Anhui Province, PRC	**56,014**	Logistics Facilities	Yes	230	**233**
Suzhou Yuqing Logistics Park, No. 8 Datong Road, Suzhou New District, Suzhou, Jiangsu Province, PRC[(1)]	**171,108**	Logistics Facilities	Yes	925	**948**
Changchun Yupei Logistics Park, Hangkong Street, North Area of Changchun National Hi-Tech Industrial Development Zone, Changchun, Jilin Province, PRC[(1)]	**63,347**[(3)]	Logistics Facilities	Yes	282	**280**
Chengdu Yupei Shengbao Logistics Park, No. 9 Minsheng Road, Xiangfu Town, Qingbaijiang District, Chengdu, Sichuan Province, PRC[(1)]	**113,132**[(3)]	Logistics Facilities	Yes	527	**543**

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Wuxi Yupei Logistics Park — Phase I, northwest of Zoumatang West Road and Yongjun Road, An Town, Wuxi, Jiangsu Province, PRC(1)	**61,609**	Logistics Facilities	Yes	273	**279**
Jiaxing Yupei Logistics Park, east to Sidian Gang, south to Xinchang Road, Nanhu District, Jiaxing, Zhejiang Province, PRC(1)	**130,592(3)**	Logistics Facilities	Yes	756	**764**
Changzhou Yupei Logistics Park, northwest of Longcheng Avenue and Shengda Road, Luoxi Town, Xinbei District, Changzhou, Jiangsu Province, PRC(1)	**82,712**	Logistics Facilities	Yes	318	**320**
Nantong Yupei Logistics Park, northeast of Dongfang Avenue and Wei 18th Road, Nantong Sutong Science & Technology Park, Tongzhou District, Nantong, Jiangsu Province, PRC(1)	**41,449**	Logistics Facilities	Yes	157	**158**
Huizhou Yupei Logistics Park, Yunbu Village, Luoyang Town, Huizhou, Guangdong Province, PRC(1)	**112,071(3)**	Logistics Facilities	Yes	502	**490**

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Suzhou Yuzhen Logistics Park, northwest of Wenchang Road and National Road 312, Suzhou National Hi-Tech District, Suzhou, Jiangsu Province, PRC[(1)]	**175,434**[(3)]	Logistics Facilities	Yes	913	**931**
Harbin Yupei Logistics Park, east of Songhua Road, south of New Holland Co., Ltd, Harbin, Heilongjiang Province, PRC[(1)]	**80,948**[(3)]	Logistics Facilities	Yes	331	**332**
Wuxi Yupei Logistics Park — Phase II, northeast of Zoumatang Road and Xidong Avenue, Wuxi, Jiangsu Province, PRC[(2)]	**126,685**[(3)]	Logistics Facilities	Yes	255	**545**
Jinan Yupei Logistics Park Phase I, south of National Road G20 and west of National Road G220, Jinan, Shandong Province, PRC[(2)]	**48,534**[(3)]	Logistics Facilities	Yes	90	**180**
Huai'an Yupei Logistics Park, southwest of Heping Road and Kaixiang Road, Huai'an Economic & Technological Development Zone, Huai'an, Jiangsu Province, PRC	**57,689**[(2)]	Logistics Facilities	Yes	187	**187**

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Zhaoqing Yupei Logistics Park, Dasha Town, Sihui, Zhaoqing, Guangdong Province, PRC	**104,857**[2]	Logistics Facilities	Yes	568	**565**
Total	**2,254,713**			**10,532**	**10,999**

Notes:

(1) The logistics park was classified as pre-stabilized as of 31 December 2016.

(2) The logistics park was classified as a project under development as of 31 December 2016.

(3) As recorded in the real property ownership certificate obtained as of 31 December 2017.

The following table sets forth a summary of all the Group's completed and pre-stabilized projects as of 31 December 2016 and 2017, together with the valuation of such projects:

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Dalian Yupei Logistics Park, east of Gaoxinyuan 12th Road, north of Gaoxinyuan 3rd Road, Jinzhou Economic and Technical Development Zone, Dalian, Liaoning Province, PRC[1]	**139,785**	Logistics Facilities	Yes	474	**533**
Total	**139,785**			**474**	**533**

Note:

(1) The logistics park was classified as a project under development as of 31 December 2016.

Logistics Parks Under Development

The following table sets forth the overview of the Group's logistics parks under development as of 31 December 2016 and 2017, together with the valuation of such logistics parks:

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Xianyang Yupei Logistics Park, Beiyuan New Town, Xianyang, Shaanxi Province, PRC	116,744	Logistics Facilities	Yes	150	446
Chongqing Yupei Xipeng Logistics Park, Section A, Xipeng Community, Jiulongpo District, Chongqing, PRC	151,094	Logistics Facilities	Yes	—	287
Tianjin Yupei Xiqing Logistics Park, west of Taikang Road, Xinkou Town, Xiqing District, Tianjin, the PRC	100,239	Logistics Facilities	Yes	—	302
Yupei Zhoushan E-commerce Logistics Industrial Park, Xingang Park, Zhoushan Economic Development Zone, Zhoushan, Zhejiang Province, PRC	91,101	Logistics Facilities	Yes	—	299
Kunming Yupei Logistics Park, Ma Cheng Road, Chenggong District, Kunming, Yunnan Province, PRC	102,569	Logistics Facilities	Yes	—	223
Jinan Yupei Logistics Park Phase II, south of National Road G20 and west of National Road G220, Jinan, Shandong Province, PRC	27,617	Logistics Facilities	Yes	—	48

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Zhoushan Yuhang Industrial Park, Dongsheng Community, Ganlan Town, Dinghai District, Zhoushan, Zhejiang Province, PRC	**25,964**	Logistics Facilities	Yes	—	**31**
Kunshan Yuzai Logistics Park, north of Jingban Road and west of Qianye Road, Bacheng Town, Kunshan, Suzhou, Jiangsu Province, PRC	**96,924**	Logistics Facilities	Yes	—	**197**
Total	**712,252**			150	**1,833**

Land Held for Future Development

The table below sets forth the overview of the Group's land held for future development as of 31 December 2016 and 2017, together with the valuation of such projects:

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Shanghai Yupei Qingyang Logistics Park, east of Waiqingsong Highway and Qingsong Road, Qingpu District, Shanghai, PRC	**67,593**	Logistics Facilities	Yes	186	**210**
Shanghai Yuzai Logistics Park, Xuanqiao Town, Nanhui Industrial Zone, Pudong New District, Shanghai, PRC	**103,800**	Logistics Facilities	Yes	303	**326**

Logistics Parks	Total GFA as of 31 December 2017 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as of 31 December 2016 (in RMB million)	Property Valuation as of 31 December 2017 (in RMB million)
Shanghai Yupei Jinshan Logistics Park, southeast of Rongdong Road and Rongtian Road, Jinshan District, Shanghai, PRC	72,171[(2)]	Logistics Facilities	Yes	196	167
Dalian Yupei Logistics Park Phase II, east of Gaoxinyuan 12th Road, north of Gaoxinyuan 3rd Road, Jinzhou Economic and Technical Development Zone, Dalian, Liaoning Province, PRC	74,368	Logistics Facilities	Yes	113	115
Nanchang Yupei Logistics Park, west of Yanhe Road and north of Tianxiang Avenue, High and New Technology Development Zone, Nanchang, Jiangxi Province, PRC	70,248	Logistics Facilities	Yes	—	75
Nanjing Yupei Logistics Park, south of Dixiu Road and north of Baoxiang Road, Jiangning Binjiang Development Zone, Nanjing, Jiangsu Province, PRC	124,085	Logistics Facilities	Yes	—	88
Changsha Yupei Logistics Park, at the intersection of Yuelu Avenue and Heye Road, Yuelu District, Changsha, Hunan Province, PRC	120,726	Logistics Facilities	Yes	—	205
Wuxi Yupei Logistics Park Phase III, south of Yongjun Road and west of Zoumatang West Road, Xishan District, Wuxi, Jiangsu Province, PRC	207,032	Logistics Facilities	Yes	—	241
Total	**840,023**			798	**1,427**

Notes:

(1) Qingpu Yuji Logistics Park, Qingpu Industrial Zone, Qingpu District, Shanghai, PRC (the "Qingpu Logistics Park") was a logistics park that was categorized as land held for future development of the Group as of 31 December 2016. Subsequent to the disposal of the entire shareholding interest in Yupei East China (which indirectly holds the interest in the Qingpu Logistics Park) by the Group in 2017, the Group has ceased to hold any interest in the Qingpu Logistics Park as of 31 December 2017.

(2) As adjusted pursuant to the construction work planning permit granted by relevant authorities.

Industry Overview

Over recent years, thanks to the growing demand for logistics services, the Chinese logistics facilities market has witnessed a sustained and rapid development, but the amount and quality have been far lower than that of the economically developed markets. According to a report from DTZ Cushman & Wakefield Limited, an independent professional real estate consultant, the inventory level of the premium logistics facilities in China reached 38.29 million sq.m. as at the end of 2017, which was still lower compared to the economic scale of China, and was much less than the similar property market totaling nearly 200 million sq.m. in the United States, whereas the area of logistics facilities per capita was significantly smaller than that in the developed markets, such as the United States and Japan.

Across this industry, the demand of the premium logistics facilities leasing market in China continued to maintain a strong momentum, the demand of the e-commerce, retailers and 3PL has become a main driving force for the advanced logistics facilities sector, taking a leading position in the leasing market, and the overall demand of the traditional retail and manufacturing sectors maintained steady. According to China Federation of Logistics & Purchasing, throughout the year of 2017, the total amount of the national social logistics was RMB252 trillion, representing a year-on-year increase of 6.7% based on the comparable prices; the total amount of the social logistics cost was RMB12.1 trillion, representing a year-on-year increase of 9.2% and the total volume of national freight was 47.1 billion tonnes, representing a year-on-year increase of 9.3%. Furthermore, according to the National Bureau of Statistics of the PRC, in 2017, the e-commerce sector in China still kept at a higher growth rate in its development, with the total amount of online retail sales amounted to RMB7,175.1 billion, representing an increase of 32.2%.

For the overall supply and demand relation, there were still some over-demand circumstances in the Chinese premium logistics facilities market, driving the steady growth in rental prices.

Outlook

Business Outlook

In 2018, the Group will continue its efforts to achieve its goal to develop into the largest provider of premium logistics facilities in China and maintaining its leading position as a premium logistics facilities provider in China. The Group intends to continue to pursue the following:

- *Strengthen nationwide network across major logistics hubs* — The Group has continued to strengthen its nationwide network of logistics facilities by developing its land held for future development and acquiring new land for investment projects, identifying new investment projects and selectively acquiring existing logistics facilities. As of 31 December 2017, the Group has approximately 0.8 million sq.m. of GFA of land held for future development and approximately 2.8 million sq.m. of GFA of investment projects. Going forward, the Group plans to continue its focus in economically more developed regions, such as the Yangtze River Delta economic zone, the Bohai economic zone and the Pearl River Delta economic zone, as well as other selected provincial capitals to continuously strengthen its nationwide network.

- *Accelerate lease-up cycle and optimize tenant portfolio* — The Group will continue to maintain constant dialogues with both existing and prospective tenants to manage lease renewals and fill up vacancies at its logistics facilities in a timely and efficient manner. In particular, the Group will continue to leverage the strong network effect of its logistics facilities portfolio to attract existing and prospective tenants with a view to expanding the Group's national footprint in China. In the meantime, in view of the strong growth of China's domestic consumption as well as the e-commerce market, the Group will also continue to optimize its tenant portfolio and increase the proportion of e-commerce companies to better meet the market demand.

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

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

- *Reduce the environmental impact of operations* — The Group is committed to reducing the environmental impact of its operations and promoting environmental sustainability. The Group will continue to increase its efforts to expand its business with minimal environmental impact going forward by designing and developing its projects based on long-term energy savings and efficiencies. In particular, it plans to increase the use of clean and renewable energy and reduce the Group's carbon footprint by installing solar panel on top of its logistics facilities.

Industry Outlook

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

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

- *Growing e-commerce market in China* — China's e-commerce industry continued to experience strong growth in 2018. Key drivers for this growth have been, among others, the unmet demand for many products in smaller cities and towns and the growing rate of internet usage in China. China's rural e-commerce market will maintain a rapid development, and its growth rate will be far higher than the national average level.

- *Growing 3PL market* — The 3PL industry continued to experience steady growth in 2018. Key drivers for this growth have been the demand for more efficient logistics services, rapid development in transportation infrastructure, and the trend for an increasing number of retailers, manufacturers and others choosing to outsource logistics for cost saving and efficiency. The Chinese government aims to further lower the ratio of the total social logistics cost to GDP, targeting to further lower the current ratio of 14.6% by 1-2 percentage points in 3 to 5 years. To achieve this goal, more high-standard logistics facilities are required to be invested in order to improve logistics efficiency.

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

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

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

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

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

Management Discussion and Analysis

The following table is a summary of the Group's consolidated statement of comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the periods indicated, together with the change (expressed in percentages) from the year ended 31 December 2016 to the year ended 31 December 2017:

	For the year ended 31 December				Year-on-Year Change
	2017		2016		
	RMB	%	RMB	%	%
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Comprehensive Income					
Revenue	**403,900**	**100.0**	270,861	100.0	49.1
Cost of sales	**(128,248)**	**(31.8)**	(88,881)	(32.8)	44.3
Gross profit	**275,652**	**68.2**	181,980	67.2	51.5
Selling and marketing expenses	**(26,838)**	**(6.6)**	(19,877)	(7.3)	35.0
Administrative expenses	**(88,168)**	**(21.8)**	(93,246)	(34.4)	(5.4)
Other income	**57,800**	**14.3**	25,932	9.6	122.9
Fair value gains on investment Properties — net	**865,330**	**214.2**	1,102,592	407.1	(21.5)
Fair value losses on hybrid instruments — net	**—**	**—**	(114,697)	(42.3)	(100.0)
Other gains — net	**108,606**	**26.9**	797	0.3	13,526.9
Operating profit	**1,192,382**	**295.2**	1,083,481	400.0	10.1
Finance income	**96,561**	**23.9**	7,529	2.8	1,182.5
Finance expenses	**(323,266)**	**(80.0)**	(134,299)	(49.6)	140.7
Finance expenses — net	**(226,705)**	**(56.1)**	(126,770)	(46.8)	78.8
Share of profit of investments accounted for using the equity method	**261,262**	**64.7**	76,502	28.2	241.5
Profit before income tax	**1,226,939**	**303.8**	1,033,213	381.5	18.7
Income tax expense	**(341,139)**	**(84.5)**	(312,735)	(115.5)	9.1
Profit for the year attributable to the owners of the Company	**885,800**	**219.3**	720,478	266.0	22.9
Total comprehensive income for the year attributable to the owners of the Company	**872,366**	**216.0**	723,595	267.1	20.6
Earnings per share (expressed in RMB)					
Basic	**0.3024**		0.4032		
Diluted	**0.3019**		0.4027		

Revenue

The Group's revenue increased by 49.1% from RMB270.9 million in 2016 to RMB403.9 million in 2017, primarily attributable to (i) an increase in the number of the Group's logistics parks in operation and therefore the total GFA in operation, which is part of the Group's nationwide expansion plan; and (ii) an overall increase in the levels of rent and management fee for the Group's logistics park projects in operation which were generally in line with the market trends in the cities the Group operates.

Cost of Sales

The Group's cost of sales increased by 44.3% from RMB88.9 million in 2016 to RMB128.2 million in 2017, primarily as a result of an increase in the scale of the Group's operation. As a percentage of the Group's revenue, the Group's cost of sales decreased from 32.8% in 2016 to 31.8% in 2017. The decrease was primarily attributable to economies of scale from the Group's growing operation scale and the increase of the operational efficiency of the Group.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 51.5% from RMB182.0 million in 2016 to RMB275.7 million in 2017, and the Group's gross profit margin increased from 67.2% in 2016 to 68.2% in 2017.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 35.0% from RMB19.9 million in 2016 to RMB26.8 million in 2017, primarily due to the expansion of the Group's in-house sales and marketing team to promote the Group's logistics parks. As a percentage of the Group's revenue, selling and marketing expenses decreased from 7.3% in 2016 to 6.6% in 2017, primarily due to economies of scale from the Group's growing operation scale and the increase of the operational efficiency of the Group.

Administrative Expenses

The Group's administrative expenses decreased by 5.4% from RMB93.2 million in 2016 to RMB88.2 million in 2017, primarily as a result of decrease in listing expenses. As a percentage of the Group's revenue, administrative expenses decreased from 34.4% in 2016 to 21.8% in 2017. The decrease was primarily attributable to economies of scale from the Group's growing operation scale and the increase of the Group's operational efficiency.

Other Income

The Group's other income increased by 122.9% from RMB25.9 million in 2016 to RMB57.8 million in 2017, primarily due to the government grants received by the Group from the local government authority.

Fair Value Gains on Investment Properties — Net

The Group's net fair value gains on investment properties decreased by 21.5% from RMB1,102.6 million in 2016 to RMB865.3 million in 2017, primarily attributable to (i) the Group added more properties and thus recognized higher fair value gains in 2016 as compared with 2017 and (ii) a slowdown in the growth of rental rates for logistics facilities in 2017 which in turn lowered the growth rate of the value of properties.

Fair Value Losses on Hybrid Instruments — Net

The Group's net fair value losses on hybrid instruments decreased by 100.0% from RMB114.7 million in 2016 to Nil in 2017 as all such hybrid instruments have been retired prior to the listing.

Other Gains — Net

The Group's other gains increased by 13,526.9% from RMB0.8 million in 2016 to RMB108.6 million in 2017, primarily as a result of the disposal of the entire shareholding interest in Yupei East China in 2017.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 10.1% from RMB1,083.5 million in 2016 to RMB1,192.4 million in 2017. As a percentage of the Group's revenue, the Group's operating profit decreased from 400.0% in 2016 to 295.2% in 2017.

Finance Income

The Group's finance income increased by 1,182.5% from RMB7.5 million in 2016 to RMB96.6 million in 2017, primarily as a result of the effect of net exchange gains on U.S. dollars denominated borrowings and senior notes payable balances.

Finance Expenses

The Group's finance expenses increased by 140.7% from RMB134.3 million in 2016 to RMB323.3 million in 2017, primarily due to the increase in the balance of the Group's borrowings and senior notes newly issued to support its business growth.

Income Tax Expense

The Group's income tax expenses increased by 9.1% from RMB312.7 million in 2016 to RMB341.1 million in 2017, primarily as a result of the increase in the Group's taxable income. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, decreased from 30.3% in 2016 to 27.8% in 2017. The decrease was mainly because in 2016, net losses from the fair value changes of the financial instrument of the Group's on-shore subsidiaries could not set off against the income taxes paid by the on-shore subsidiaries for their profits, which resulted in a higher effective rate, while in 2017, share of profit of investment accounted for using the equity method, etc. attributable to the off-shore subsidiaries were exempted from taxation, which resulted in a lower effective rate.

Profit for the Year Attributable to the Owners of the Group

As a result of the foregoing, the Group's profit for the year attributable to the owners of the Group increased by 22.9% from RMB720.5 million in 2016 to RMB885.8 million in 2017.

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

The Group's core net profit increased from RMB107.2 million in 2016 to RMB162.6 million in 2017. The increase was primarily due to strong revenue growth as a result of the Group's nationwide expansion as well as economies of scale it achieved through the expansion process. As a percentage of the Group's revenue, the Group's core net profit in 2017 was 40.3%.

LIQUIDITY AND CAPITAL RESOURCES

In 2017, the Group financed its operations primarily through cash from the Group's operations and borrowings from banks and financial institutions and the issuance of senior notes. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, borrowings, as well as the remaining net proceeds received from the global offering.

Cash and cash equivalents

As of 31 December 2017, the Group had cash and cash equivalents of RMB1,820.5 million (31 December 2016: RMB1,957.7 million), which primarily consisted of cash at bank and on hand that were mainly denominated in Renminbi (as to 19.3%), U.S. dollars (as to 80.5%), and Hong Kong dollars (as to 0.2%).

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.

The ordinary shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2016. A total of 1,035,707,000 new ordinary shares with nominal value of US$0.0000625 each of the Company were issued at HK$3.25 per Share for a total of approximately HK$3,366.0 million. In addition, on 10 August 2016, the Company issued an additional 58,695,000 ordinary shares with nominal value of US$0.0000625 each of the Company pursuant to the partial exercise of the over-allotment option under the global offering at HK$3.25 per Share for a total of approximately HK$190.8 million. The net proceeds raised by the Company from the global offering (including the partial exercise of the over-allotment option on 6 August 2016), after deducting the underwriting fees and commissions and estimated expenses payable by the Company in relation to the global offering (the "**Net Proceeds**"), amounted to an aggregate of approximately HK$3,362.1 million, comprising HK$3,175.4 million raised from the global offering and HK$186.7 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option.

During the year ended 31 December 2017, the Net Proceeds of HK$3,362.1 million had been fully utilized for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Indebtedness

(a) Borrowings

As of 31 December 2017, the Group's total outstanding borrowings amounted to RMB6,763.7 million. The Group's borrowings were denominated in Renminbi (as to 52.4%) and U.S. dollars (as to 47.6%). The following table sets forth a breakdown of the Group's current and non-current borrowings as of the dates indicated:

	As at 31 December	
	2017	*2016*
	RMB'000	*RMB'000*
Non-current		
Long-term bank borrowings		
— secured by assets	**3,221,448**	2,536,954
— secured by assets and equity interest of certain subsidiaries	**322,939**	445,525
Long-term borrowings from other financial institutions		
— secured by shares of subsidiary guarantors	**653,044**	652,944
— unsecured	**649,744**	1,387,400
Senior Notes		
— secured by guarantees and pledges provided by certain subsidiaries	**1,916,490**	—
Less: Long-term bank borrowings due within one year	**(551,114)**	(390,231)
Long-term borrowings from other financial institutions due within one year	**(653,044)**	—
	5,559,507	4,632,592
Current		
Short-term bank borrowings		
— secured by assets	**—**	213,623
Current portion of long-term bank borrowings	**551,114**	390,231
Current portion of long-term borrowings from other financial institutions	**653,044**	—
	1,204,158	603,854
Total borrowings	**6,763,665**	5,236,446

The Group's total outstanding borrowings amounted to RMB5,236.4 million and RMB6,763.7 million as of 31 December 2016 and 2017, respectively. The increase in the Group's total borrowings was primarily due to the increase in the Group's construction activities and financing need resulting from its business expansion.

As of 31 December 2017, the Group's borrowings of RMB3,557.9 million (31 December 2016: RMB2,090.3 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 2016 and 2017 were as follows:

	As of 31 December	
	2017	*2016*
RMB	**5.7%**	5.7%
US$	**11.1%**	12.2%

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

	As of 31 December	
	2017	*2016*
	(in RMB thousands)	
Within one year	**1,204,158**	603,854
Between one and two years	**1,292,813**	515,608
Between two and five years	**3,358,044**	3,272,664
Over five years	**908,650**	844,320
Total borrowings	**6,763,665**	5,236,446

The Group has the following undrawn borrowing facilities:

	As of 31 December	
	2017	*2016*
	(in RMB thousands)	
Floating rate:		
Expiring within one year	**–**	31,378
Expiring beyond one year	**76,000**	128,000
Fixed rate:		
Expiring over one year	**124,700**	130,000
	200,700	289,378

GEARING RATIO

The Group's gearing ratio is calculated by dividing (i) the Group's total borrowings less cash and cash equivalents and restricted cash, being the Group's net debt, by (ii) the sum of net debt and the Group's total equity, being the Group's total capital. As of 31 December 2016 and 2017, the Group's gearing ratio was 27.8% and 34.2%, 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 RMB2,167.0 million in 2017. In 2016, the Group made capital expenditure of RMB2,302.7 million. The Group's capital expenditure in 2017 was funded primarily by cash generated from its operating activities and bank borrowings.

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2017, there were no significant unrecorded contingent liabilities, guarantees or litigations against the Group.

CHARGE ON GROUP ASSETS

As of 31 December 2017, investment properties of the Group with a total fair value amount of RMB12,110.0 million (2016: RMB11,327.0 million) were pledged as collateral mortgaged to secure bank borrowings of the Group. See Note 18 set out in "Notes to the Consolidated Financial Statements" in this annual report for further details.

FUNDING AND TREASURY POLICY

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

MATERIAL ACQUISITIONS AND FUTURE PLANS FOR MAJOR INVESTMENT

In 2017, the Group did not conduct any material investments, acquisitions or disposals. For details of disposal of one of the subsidiaries of the Group, please see Note 24(i) set out in "Notes to the Consolidated Financial Statements" in this annual report. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific future plan for material investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development in 2018.

HUMAN RESOURCES

As of 31 December 2017, the Group had a total of 155 employees. The Group has established comprehensive training programs to support and encourage its employees and continued to organize on-the-job training on a regular basis to employees from member of its management team to newly hired employees to improve their relevant skills at work. The Group offers competitive remuneration package which includes salary, bonuses and other cash subsidies. In general, the Group determines 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 2017, the total employee benefit expenses of the Group (including salaries, wages, bonuses, employee share option expenses, pension, housing, medical insurance and other social insurance) amounted to RMB53.6 million, representing approximately 13.3% of the total revenue of the Group.

Pursuant to the pre-IPO share option scheme, options to subscribe for an aggregate amount of 15,824,000 shares (representing approximately 0.54% of the total issued share capital of the Company as of the date of this report) have been granted by the Company under the pre-IPO share option scheme, among which 380,800 shares were forfeited during 2017 and 15,443,200 shares remained outstanding as of 31 December 2017.

DIVIDENDS

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2017.

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Shifa (李士發), aged 54, is the founder of the Group and was appointed as chairman of the Board, president of the Group and an executive director of the Company on 12 November 2013. He is also the chairman of the nomination committee of the Board (the "**Nomination Committee**") and a member of the remuneration committee of the Board (the "**Remuneration Committee**"). Mr. Li is the executive director and president of Shanghai Yupei (Group) Company Limited (上海宇培(集團)有限公司) ("**Shanghai Yupei**"), the Group's principal operating subsidiary in the PRC, and holds positions as the chairman, executive director, president and/or general manager at each of the subsidiaries of the Company. Mr. Li started the logistics facilities business in the year 2000. With more than 17 years of experience in the logistics facilities industry, Mr. Li has been the key driver of the business strategies and achievements of the Group. He is primarily responsible for formulating and leading the implementation of the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group. Mr. Li has been a committee member of the Wuhu City Chinese People's Political Consultative Conference (蕪湖市政治協商會議) since January 2013 and the vice-president of the China Association of Warehouses and Storage (中國倉儲協會) since December 2014. Mr. Li is the father of Ms. Li Qing, a non-executive director and vice-president of the Group. Mr. Li is also a director of Yupei International Investment Management Co., Ltd, one of the substantial shareholders of the Company.

Mr. Pan Naiyue (潘乃越), aged 37, was appointed as an executive director of the Company and the chief executive officer of the Group on 25 April 2014 and 26 March 2018 respectively. He joined Shanghai Yupei as director of the business development department in September 2008 and was subsequently appointed senior vice-president and chief operating officer in January 2011 and October 2012 respectively, being responsible for the management of the Group's marketing and leasing operations and its development strategy, as well as the business expansion of the Group. Mr. Pan has been the chief executive officer of Shanghai Yupei since January 2018 in charge of its overall operational management. He served as chief operating officer of the Company for the period from November 2013 to March 2018. He also serves as directors at a number of the Group's subsidiaries. Prior to joining the Group, Mr. Pan was assistant officer (property management), officer (customer services, property division) and senior officer (customer relations and clubhouse management) at Hutchison Whampoa Properties (Shanghai) Limited (和記黃埔地產(上海)有限公司), a real estate development and investment company, where he was responsible for property management matters and customer services and relations, from December 2003 to September 2006; head of the business development division at Shanghai Caohejing Development Zone New Economic Park Development Co., Ltd. (上海漕河涇開發區新經濟園發展有限公司), a property developer, where he was responsible for management of the marketing and business development of the properties developed by the company, from September 2006 to May 2007; and manager at Shanghai Mapletree Management Consultancy Co., Ltd. (上海豐樹管理諮詢有限公司), a real estate investment company, where he was responsible for corporate sales and marketing, and leasing operations, from May 2007 to August 2008. Mr. Pan obtained a bachelor's degree in arts (majoring in English for international business) from the University of Central Lancashire, the United Kingdom, in June 2002, and a master's degree in arts (majoring in international business management) from the University of Newcastle upon Tyne, the United Kingdom, in December 2003.

Mr. Zhang Long (張瓏), aged 41, was appointed as an executive director and chief investment officer of the Company on 25 April 2014 and 12 November 2013 respectively. He joined Shanghai Yupei as chief executive officer in January 2008 until he was appointed chief investment officer of Shanghai Yupei in September 2014. He also serves as non-executive director at a number of the other subsidiaries of the Group. Mr. Zhang is primarily responsible for managing project assessment, site selection, land acquisition, project planning and design related matters. Prior to joining the Group, he served as investment manager of Zhongnan Properties Co., Ltd. (中南置業有限責任公司), a company principally engaged in property development and construction, from June 2001 to August 2005, during which he was responsible for managing property investments. Mr. Zhang obtained a bachelor's degree in economics (majoring in international investment, securities investment) from the China Institute of Finance and Banking (中國金融學院) (now merged into the University of International Business and Economics (對外經濟貿易大學)), the PRC, in June 1998; and a master's degree in economics (majoring in national economy) from Nanjing University (南京大學), the PRC, in June 2008.

Mr. Wu Guolin (吳國林), aged 48, was appointed as an executive director and the chief operating officer of the Company on 30 March 2017 and 26 March 2018 respectively. Mr. Wu joined the Group in the year 2000 as a vice-president of Shanghai Yupei. He was appointed as a senior vice-president of Shanghai Yupei in November 2012 and the senior vice-president of the Company in November 2013. Mr. Wu is responsible for managing project construction related matters of the Group. Mr. Wu was certified as a senior engineer (building and construction specialty) by the senior assessment committee of Hubei Province (湖北省高級評審委員會), the PRC, in October 2006. Prior to joining the Group, Mr. Wu was project manager at Nanjing Housing Construction Corporation (南京市住宅建設總公司), a company engaged in property construction work, from September 1995 to December 1998, during which period he was responsible for overseeing and managing contracted construction work. From January 1999 to May 2000, Mr. Wu was a manager at the construction project department of Shanghai Huaying Construction and Installation Co., Ltd. (上海華英建築安裝有限公司), a company engaged in the provision of property construction and installation services, where he was responsible for overseeing and managing contracted projects. Mr. Wu obtained a certificate for having completed the practical real estate executive training program, organized by Tsinghua University (清華大學), the PRC, in June 2009.

Ms. Li Huifang (李慧芳), aged 36, was appointed as an executive director and vice-president of the Company on 30 March 2017 and 26 March 2018 respectively. Ms. Li joined the Group in April 2008 and was appointed as a vice-president of Shanghai Yupei in January 2017. She is in charge of the day-to-day financial matters of the Company's project companies in the PRC. Prior to her current position, Ms. Li served as the director of the financial department of Shanghai Yupei from February 2015 and as finance manager of Shanghai Yupei from April 2008 to February 2015, responsible for the day-to-day financial matters of Shanghai Yupei. From February 2006 to April 2008, Ms. Li was a finance manager of Shanghai Feiyu International Trading Company Limited (上海飛域國際貿易有限公司) (now known as Shanghai Yingyu International Trading Company Limited (上海盈域國際貿易有限公司), a company engaged in the business of import and export of goods and technology, where she was responsible for the day-to-day financial auditing, tax and bank financing matters of its headquarters and subsidiaries. From May 2003 to February 2006, Ms. Li served as an accountant at Shanghai Yupei Industry Company Limited (上海宇培實業有限公司) (now known as Shanghai Yupei Industry (Group) Company Limited (上海宇培實業(集團)有限公司)), which is engaged in the business of, amongst others, the operation of logistics parks, and was primarily responsible for matters in relation to financial auditing and tax filings. Ms. Li was certified to have attained the intermediate level in accounting by the Ministry of Finance of the PRC in May 2007. Ms. Li passed the Self-taught Higher Education Examinations and obtained a graduation certificate (majoring in accounting) jointly issued by the Shanghai Self-taught Higher Education Examinations Committee (上海市高等教育自學考試委員會) and the Shanghai University of Finance and Economics (上海財經大學), the PRC, in December 2011.

Mr. Chen Runfu (陳潤福), aged 53, was a non-executive director of the Company from 22 December 2016 before his re-designation as an executive director on 30 March 2017. Mr. Chen is currently the senior vice president of Sino-Ocean Group Holding Limited (遠洋集團控股有限公司) ("**Sino-Ocean Group**", formerly known as Sino-Ocean Land Holdings Limited (遠洋地產控股有限公司), a substantial shareholder of the Company), and also serves as a director or general manager in a number of subsidiaries or project companies of Sino-Ocean Group. Mr. Chen is primarily responsible for Sino-Ocean Group's strategy management, investment management, equity management and brand management. Sino-Ocean Group, through its subsidiaries, is primarily engaged in property development and property investment and is listed on the Main Board of the Stock Exchange (stock code: 3377). Mr. Chen has served over 23 years in Sino-Ocean Group and has extensive experience in property development and property investment. Since joining COSCO Real Estate Development Corporation (中遠房地產開發公司), the predecessor of Sino-Ocean Group, in October 1995, Mr. Chen has held various positions in the company, including the head of the regional development department, the general manager of the client service center, the general manager of the strategic development department, the general manager of the office building business department, and the vice president of the company. He was also an executive director of Sino-Ocean Group from June 2007 to December 2015. Mr. Chen has been appointed as the senior vice president of Sino-Ocean Group since April 2016. Prior to joining Sino-Ocean Group, Mr. Chen worked as an engineer in the Waterborne Transport Planning and Designing Institute under the Ministry of Transport (交通部水運規劃設計院), currently known as China Transport Waterborne Transport Planning and Designing Institute Co., Ltd. (中交水運規劃設計院有限公司), from August 1986 to September 1993. From September 1993 to October 1995, Mr. Chen worked at China Sino-Ocean Shipping (Group) Corporation (中國遠洋運輸(集團)總公司), currently known as China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company engaged in waterborne transport and ocean shipping, where he first served as an investment specialist in the planning division until July 1994, and later as a secretary in the president's office until October 1995. Mr. Chen obtained a bachelor's degree in harbour and channel engineering from Dalian Institute of Technology (大連工學院, currently known as Dalian University of Technology 大連理工大學), PRC, in July 1986. Mr. Chen then obtained an executive master of business administration degree from China Europe International Business School (中歐國際工商學院), PRC, in September 2005.

Mr. Cheuk Shun Wah (卓順華), aged 52, was appointed as an executive director and the chief financial officer of the Company on 17 August 2017 and 26 March 2018 respectively. Mr. Cheuk joined the Group in October 2016 as a senior vice-president of the Company. Mr Cheuk is responsible for overseeing the Company's capital markets and investor relationships functions, as well as its financial management and control. He is a finance and accounting veteran with over 27 years of experience in Europe and Asia. Prior to joining the Group, he was the chief financial officer of Trendy International Group Ltd, an international fashion conglomerate, from 2012 to 2016, where he was responsible for overseeing and supervising the overall finance and related operations of the company. Mr. Cheuk has held senior finance positions at multinational companies. He was head of group strategic development at Dickson Concepts (International) Limited, a company engaging in the retail and wholesale distribution and licensing of luxury products, and listed on the Main Board of the Stock Exchange (stock code: 0113), from 2011 to 2012, where he was responsible for formulating and driving business development strategies. From 2007 to 2011, he was the senior vice president (group finance) of Esprit Holdings Limited (a company engaged in the retail and distribution and licensing of lifestyle products and listed on the Main Board of the Stock Exchange (stock code: 0330)), where he was responsible for overseeing and managing the finance and accounting matters at the group level and led a team which included finance, information technology, legal and tax functions in the integration of business from the PRC. From 2004 to 2007, he was the chief financial officer and senior vice president of Shanghai Lotus Supermarket Chain Store Co., Ltd (a subsidiary of the Charoen Pokphand Group and a foreign supermarket chain operating in the PRC), where he was responsible for overseeing and managing the finance and accounting matters of the company. From 2003 to 2004, he was the director of finance (Asia) at Esprit Regional Service Limited, a subsidiary of Esprit Holdings Limited, where he was in charge of the finance and accounting matters of the regional businesses in Asia. From 1993 to 2003, Mr. Cheuk has also held various positions at A.S. Watson Group (a subsidiary of CK Hutchison Holdings Limited and an international health and beauty retailer), including finance director, global finance director and regional financial controller, where he was responsible for, amongst others, overseeing and directing financial activities of the company and leading teams at a number of divisions. Mr. Cheuk was an associate member of the Hong Kong Institute of Certified Public Accountants from April 1993 and has been a fellow member since February 2004. He has also been a fellow of The Association of Chartered Certified Accountants since October 1997. He obtained a professional diploma in accountancy from The Hong Kong Polytechnic University in 1989 and he holds a Master of Business Administration degree conferred by the University of South Australia in May 1998.

Ms. Shi Lianghua (石亮華), aged 47, was appointed as an executive director of the Company on 17 August 2017. Ms. Shi joined the Group in September 2011 as senior vice-president of Shanghai Yupei. She was appointed senior vice-president of the Company in November 2013. Ms. Shi is responsible for managing project financing, contracting, planning and design, cost control and related matters of the Group. Ms. Shi was certified as an engineer by the assessment committee of The Second Navigational Engineering Bureau of CHEC (中港第二航務工程局), the PRC, in August 1998; and was certified to have attained the intermediate qualification level in construction economics by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部), the PRC, in November 1998. She was also certified as National First-Class Registered Architect by the Ministry of Construction of the People's Republic of China (中華人民共和國建設部), the PRC, in November 2006. Prior to joining the Group, Ms. Shi served various positions including engineer, cost engineer as well as project director at The Second Navigational Engineering Bureau of CHEC (中港第二航務工程局), a member of a state-owned construction group, from August 1991 to September 2000, during which she was responsible for project cost and project management. She joined Shanghai ABC Steel Structure Co., Ltd. (上海美建鋼結構有限公司), a foreign manufacturer of steel structures, as department manager in November 2000 and became executive controller in 2005, during which she was responsible for contract executions and managing business operations, until April 2007. She then assumed the position of chief officer at the engineering and construction center of Shanghai Gaorong Group (上海高榕集團) from May 2007 to August 2011, during which she had overall responsibility for managing and initiating group investment in real estate projects and group infrastructure projects. Ms. Shi obtained a diploma in harbor engineering from Nanjing Harbor Engineering College (南京航務工程專科學校), the PRC, in July 1991; a bachelor's degree in engineering management from Huazhong University of Science and Technology (華中科技大學), the PRC, in July 2000; and a master's degree in business administration from Donghua University (東華大學), the PRC, in December 2008.

Non-executive Directors

Mr. Huang Xufeng (黃旭鋒), aged 38, was appointed as a non-executive director of the Company on 28 December 2017. Mr. Huang has extensive experience in asset management and investments. Mr. Huang is currently deputy general manager of Anbang Asset Management Co., Ltd. (安邦資產管理有限責任公司) and the general manager of the investment management department of Anbang Insurance Group Co., Ltd. (安邦保險集團股份有限公司). Prior to his current positions, Mr. Huang served as a senior staff member and a principal staff member at the Department of Market Operation and Coordination of the Ministry of Commerce (商務部市場運行調節司) of the PRC from August 2004 to October 2008; person-in-charge at the research division of the Special Commissioner's Office in Hangzhou of the Ministry of Commerce (商務部駐杭州特辦調研處) of the PRC from November 2008 to May 2011; assistant general manager of HXFB Financial & Investment Management Co., Ltd. (華夏富邦金融投資管理有限公司) from June 2011 to March 2012; and from March 2012 to August 2014, he has served positions including deputy general manager and general manager at the investment banking division, as well as the assistant general manager, of ABC International (China) Investment Co., Ltd. (農銀國際(中國)投資有限公司). Mr. Huang obtained a bachelor's degree in agricultural economics and management from the College of Economics and Management at the China Agricultural University (中國農業大學經濟管理學院) in the PRC in July 2002, and a master's degree in agricultural economics and management from the Chinese Academy of Agricultural Sciences (中國農業科學院) in the PRC in July 2004.

Ms. Li Qing（李慶）, aged 31, was an executive director of the Company since 25 April 2014 before her re-designation as a non-executive director of the Company on 30 March 2017. Ms. Li is also a member of the Remuneration Committee and the Nomination Committee. She has been a vice-president of the Group since 12 November 2013. She joined Shanghai Yupei as vice-president on 1 November 2012 and also serves as director at a number of the Group's subsidiaries. Ms. Li is primarily responsible for the overall management of the administrative, human resources and property management work of the Group. Ms. Li is the daughter of Mr. Li Shifa, chairman of the Board, president of the Group and an executive director of the Company. Ms. Li obtained a bachelor's degree in arts (majoring in Japanese) from Shanghai Normal University（上海師範大學）, the PRC, in July 2010, and a master's degree in science (majoring in international management for Japan) from the University of London, the United Kingdom, in December 2012.

Independent Non-executive Directors

Mr. Guo Jingbin（郭景彬）, aged 60, was appointed as an independent non-executive director of the Company on 14 June 2016. He is also the chairman of the Remuneration Committee and a member of each of the audit committee of the Board (the "**Audit Committee**") and the Nomination Committee. Mr. Guo is responsible for supervising and providing independent judgment to the Board. Mr. Guo has over 34 years of experience in the construction industry, specializing in corporate strategic planning, marketing and general and administration management. He has extensive experience in capital markets. Mr. Guo has been an independent non-executive director of China Tian Yuan Healthcare Group Limited (中國天元醫療集團有限公司), formely known as City e-Solutions Limited, a company listed on the Main Board of the Stock Exchange (stock code: 557) and engaged in investment holding and the provision of consultancy services, since August 2016; an executive director and chairman of China Conch Venture Holdings Limited（中國海螺創業控股有限公司）, a company listed on the Main Board of the Stock Exchange (stock code: 586) ("**Conch Venture**"), an investment holding company with subsidiaries principally engaged in providing energy preservation and environmental protection solutions, where he is responsible for its overall strategic development since July 2014. He is currently the Chairman of Conch Venture and was a non-executive director of Conch Venture from June 2013 to June 2014. Mr. Guo held various senior managerial positions including the secretary to the board and deputy general manager of Anhui Conch Cement Co., Ltd.（安徽海螺水泥股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600585) and the Main Board of the Stock Exchange (stock code: 914) ("**Conch Cement**"), and he was an executive director of Conch Cement from October 1997 to June 2014 and a non-executive director from June 2014 to June 2016. Mr Guo has been a director of Anhui Conch Holdings Co., Ltd.（安徽海螺集團有限責任公司）, an investment company, since January 1997. Mr. Guo obtained a master's degree in business administration from the Chinese Academy of Social Sciences（中國社會科學院）, the PRC, in July 1998.

Mr. Fung Ching Simon（馮征）, aged 49, was appointed as an independent non-executive director of the Company on 14 June 2016. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Fung is responsible for supervising and providing independent advice to the Board. Mr. Fung has extensive experience in finance and accounting management and he has served as senior officers at a number of companies in the construction and property development industry. Mr. Fung has been a non-executive director of Baoye Group Company Limited（寶業集團股份有限公司）(“**Baoye Group**”), a company principally engaged in the provision of construction services, the manufacturing and distribution of building materials and the development and sale of properties, and listed on the Main Board of the Stock Exchange (stock code: 2355), since June 2011. He is also an independent non-executive director of HNA Infrastructure Company Limited（海航基礎股份有限公司）, formerly known as Hainan Meilan International Airport Company Limited（海南美蘭國際機場股份有限公司）a company engaged in the aeronautical and non-aeronautical business and listed on the Main Board of the Stock Exchange (stock code: 357), since October 2004. Mr. Fung has been the chief financial officer and the company secretary of Greentown China Holdings Limited（綠城中國控股有限公司）, a company engaged in the development for sale of residential properties in the PRC and listed on the Main Board of the Stock Exchange (stock code: 3900), since August 2010. Prior to taking up his current positions, Mr. Fung was the chief financial officer and secretary to the board of directors of Baoye Group from August 2004 to July 2010, during which he was responsible for overseeing financial and accounting matters. From October 1994 to June 2004, he served as operations manager, and senior manager of the assurance and business advisory division at PricewaterhouseCoopers, a certified public accountants firm, where he was involved in office administration and management and in charge of audit and business advisory matters respectively. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. Mr. Fung graduated from the Queensland University of Technology, Australia, with a bachelor’s degree in business, majoring in accountancy in February 1993.

Mr. Wang Tianye（王天也）, aged 59, was appointed as an independent non-executive director of the Company on 14 June 2016. Mr. Wang is also a member of each of the Remuneration Committee and the Nomination Committee. Mr. Wang is responsible for supervising and providing independent judgment to the Board. Mr. Wang has over 24 years of experience in finance and investment and has served various senior management positions at companies in the property development and real estate industry. From October 2015 to February 2018, Mr. Wang re-assumed his position as executive director at Top Spring International Holdings Limited（萊蒙國際集團有限公司）(“**Top Spring**”), a company engaged in property development and listed on the Main Board of the Stock Exchange (stock code: 3688). He had served as an executive director of Top Spring from September 2012 until November 2013, when he left the company to attend to family matters. Mr. Wang is currently a senior consultant of Top Spring, since March 2018. He is also an independent director of Henan Pinggao Electric Co., Ltd.（河南平高電氣股份有限公司）, a company engaged in high voltage switchgear industry and listed on the Shanghai Stock Exchange (stock code: 600312), since September 2014. Prior to taking up his current positions, Mr. Wang was an executive director and the chief executive officer of Central China Real Estate Limited（建業地產股份有限公司）, a company engaged in property development and listed on the Stock Exchange (stock code: 832), from November 2004 to June 2012, during which he was responsible for formulating development strategies, executing decisions on investment projects and the overall business management of the company. Mr. Wang was recognized as a senior economist by the Bank of China Group in December 1992 and he was admitted as a senior associate of the Australian Institute of Banking and Finance in April 1996. He obtained a master’s degree in applied finance from Macquarie University, Australia, in April 1996.

Mr. Leung Chi Ching Frederick（梁子正）, aged 60, has been an independent non-executive director of the Company since 14 June 2016. Mr. Leung is also a member of each of the Audit Committee and Nomination Committee. Mr. Leung has been an independent non-executive director and the chairman of the audit committee of CGN New Energy Holdings Co., Ltd.（中國廣核新能源控股有限公司）（formerly known as CGN Meiya Power Holdings Co., Ltd.（中國廣核美亞電力控股有限公司））, a company engaged in the operation of power stations and other associated facilities, and listed on the Main Board of the Stock Exchange (stock code: 1811) since September 2014. Mr. Leung has over 35 years of professional and industrial experience in management, corporate governance, corporate finance, banking and accounting. He was previously an executive director, chief financial officer and company secretary of Skyworth Digital Holdings Limited（創維數碼控股有限公司）("**Skyworth**"), a manufacturer of television sets and listed on the Stock Exchange (stock code: 751). In his almost nine years of services in Skyworth, he was mainly responsible for the company's successful resumption of trading of its shares and strengthening of its internal controls, accounting system, corporate governance and investor relations management. In 2011 and 2013, Skyworth was awarded by Asia Money as the Best Managed Medium Cap Company in China of 2011 and by Forbes as Asia's Fabulous 50 of 2013, respectively. Furthermore, Mr. Leung accumulated 14 years' working experience in Deloitte Touche Tohmatsu. He left Deloitte Touche Tohmatsu in June 1999 as a principal of corporate finance. Mr. Leung obtained a Bachelor Degree of Science in Business Administration (major in Accounting) from the University of The East in the Philippines in November 1981. He became an associate member of the Hong Kong Institute of Certified Public Accountants in April 1997 and has been its fellow member since October 2013. Also, he has been a member of the American Institute of Certified Public Accountants since December 1996. He has been a member of the Hong Kong Securities and Investment Institute since April 1999 and has been its fellow member since April 2015. In addition, he has been a founding member of the Hong Kong Independent Non-Executive Director Association since November 2015.

Mr. Chen Yaomin（陳耀民）, aged 54, was appointed as an independent non-executive director of the Company on 30 March 2017. Mr. Chen is currently a partner at a number of private equity investment firms. He has over 29 years of experience in management and investment. Mr. Chen has been an executive partner of Shanghai Cuizhu Equity Investment Management Center LLP（上海萃竹股權投資管理中心（有限合夥））since December 2014 and an executive partner of Shanghai Kesheng Venture Capital Center LLP（上海科升創業投資中心（有限合夥））since December 2010. Mr. Chen has also been an executive partner and an executive director of Shanghai Kesheng Venture Capital Management Co., Ltd.（上海科升創業投資管理有限公司）since November 2010, and the general manager and a non-executive director of Shanghai Kesheng Investment Co., Ltd.（上海科升投資有限公司）since July 2007. Mr. Chen has been the chairman and a non-executive director of Shanghai Chengjia Electronic Technology Co., Ltd.（上海誠佳電子科技有限公司）, a company engaged in the manufacture and sale of electronic devices as well as the development of electronic technology, since January 2008.

SENIOR MANAGEMENT

Mr. Sun Limin（孫利民）, aged 62, has been our senior vice-president since 12 November 2013. Mr. Sun was also an executive director of the Company from 25 April 2014 to 30 March 2017. He joined Shanghai Yupei as senior vice-president in July 2012. Mr. Sun is primarily responsible for managing the financing matters of the Group in the PRC. Mr. Sun was certified as a deputy chief physician by an assessment committee of Shanghai Second Medical University (上海第二醫科大學) (now merged into Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院), the PRC, in November 1992. Prior to joining the Group, Mr. Sun held various positions including the attending physician and associate professor at Renji Hospital, Shanghai Jiaotong University School of Medicine (上海交通大學醫學院附屬仁濟醫院), formerly known as Renji Hospital, Shanghai No. 2 Medical University (上海第二醫科大學附屬仁濟醫院), a university affiliated hospital, from September 1990 to October 1996. From November 1999 to March 2000, Mr. Sun was a general manager of the biotechnology industry division of Shanghai Brilliance Group Co., Ltd. (上海華晨集團股份有限公司) (now known as Shanghai Shenhua Holdings Co., Ltd. (上海申華控股股份有限公司)), a company engaged in a wide range of businesses including automobile sales and services and development of new energy, and listed on the Shanghai Stock Exchange (stock code: 600653). From July 2000 to November 2004, he was a deputy chief of the biomedical division and deputy general manager of the medical devices and pharmaceutical equipment division of China Worldbest Group Co., Ltd. (中國華源集團有限公司), a health foods and pharmaceuticals conglomerate. From November 2004 to January 2006, he was a vice-president of Shanghai A Pacific Investment Limited (上海泛亞策略投資有限公司), an equity investment company; while from January 2006 to December 2010, he was deputy general manager of Shanghai Fuyi Investment Management Co., Ltd. (上海復醫投資管理有限公司), a company specializing in investments in healthcare development. Mr. Sun obtained a bachelor's degree in medicine from BengBu Medical College (蚌埠醫學院), the PRC, in PRC, in September 1978 and a master's degree in medicine (majoring in internal medicine, specializing in respiratory diseases) from Shanghai Second Medical University (上海第二醫科大學) (now merged into Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院)), the PRC, in December 1985. Mr. Sun also attended a one-year program at the faculty of medicine of Chiba University, Japan, pursuant to the Sasakawa Medical Scholarship from 1989 to 1990, and undertook post-doctoral training at the Baylor College of Medicine in the United States of America from October 1996 to October 1999.

Mr. Zheng Zhengfu (鄭正富), aged 37, was appointed as vice-president and secretary general of the Secretariat of the Board of the Company on 26 March 2018 and 15 June 2017, respectively. Mr. Zheng joined Shanghai Yupei as the secretary to the Chairman in July 2013 and was appointed as the deputy director of the office of the president and secretary general of the secretarial office of the chairman in June 2014, and was subsequently appointed as vice-president in January 2018. Mr. Zheng is responsible for administration and human resources matters and the daily operations of the Secretariat of the Board. Prior to joining the Group, Mr. Zheng served as secretary to the president, deputy director and director of the office of the president and assistant to the chairman (being responsible for administration and human resources matters) at Biaoma Group Co., Ltd. (彪馬集團有限公司), from October 2005 to July 2013; and as the assistant to the chairman of Taizhou Huahui Copper Industry Co., Ltd. (台州市華輝銅業有限公司) from August 2004 to September 2005. Mr. Zheng obtained a graduate diploma in secretarial studies from the Zhejiang Gongshang University (浙江工商大學), the PRC, in July 2005.

Mr. Zuo Weibo (左煒博), aged 34, was appointed as vice-president of the Company on 26 March 2018. Mr. Zuo joined Shanghai Yupei as the deputy director of the office of the president in September 2009, and subsequently held the positions of investment manager, deputy investment director, regional leasing director and marketing director from September 2010 to December 2017. Mr. Zuo has been the vice-president of Shanghai Yupei since January 2018. Mr. Zuo is responsible for managing marketing and leasing operations and business development. Prior to joining the Group, Mr. Zuo was the operations manager of CTC Logistics Ltd. in Los Angeles, the United States of America, from June 2006 to March 2009. Mr. Zuo obtained a bachelor's degree in economics from The California State University (美國加利福尼亞州立大學), the United States of America, in June 2006.

COMPANY SECRETARY

Ms. So Ka Man (蘇嘉敏), aged 44, 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 an associate of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. So obtained a bachelor's degree in arts (accountancy) from the Hong Kong Polytechnic University in November 1996. Apart from the Company, Ms. So has been providing professional secretarial services to a number of listed companies.

Directors' Report

The board of directors (the "**Board**") of the Company is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

As of 31 December 2017, the Company had 130 logistics facilities in operation in 27 logistics parks, located in logistics hubs in 14 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 49.1% from RMB270.9 million in 2016 to RMB403.9 million in 2017. The Group's gross profit increased from RMB182.0 million in 2016 to RMB275.7 million in 2017. As of 31 December 2017, the Group recorded a net current assets of RMB409.4 million as compared with a net current assets of RMB1,050.4 million recorded as of 31 December 2016.

Relationship with Tenants

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

The Group generates a significant portion of its revenue from its five largest tenants. During the year ended 31 December 2017, revenue generated from the Group's single largest tenant accounted for approximately 30.3% of its total revenue while revenue attributable to its five largest tenants accounted for approximately 51.6% 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 20.4% and 54.8% to its construction cost incurred during the year ended 31 December 2017, respectively.

Relationship with Employees

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

Environmental Policy

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

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

Further details of the Group's environmental, social and governance ("**ESG**") matters are set out in the ESG Report on pages 75 to 97 of this annual report.

Licenses, Regulatory Approvals and Compliance Record

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

Principal Risks and Uncertainties

Principal risks and uncertainties the Group faces include:

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

Subsequent Event

On 7 February 2018, the Company issued senior notes (the "**2018 Notes**") in the aggregate principal amount of US$100,000,000 which bear interest at a rate of 9.00% per annum and will mature on 4 February 2019. The 2018 Notes have been listed on the Stock Exchange. For details, please refer to the announcements of the Company dated 31 January 2018, 2 February 2018 and 7 February 2018. Net proceeds from the issuance of the 2018 Notes, after deducting the underwriting discounts and commissions and other expenses paid in connection with the issuance, amounted to approximately US$99 million. The Company intends to use the net proceeds of the issuance for repaying existing offshore indebtedness and general corporate purposes.

Save for the abovementioned, no significant event affecting the Group has occurred since 31 December 2017.

Outlook for 2018

In 2018, 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 2017 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 104 to 204.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to the shareholders of the Company for the year ended 31 December 2017.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2017 are set out in Note 36 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 2017 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL AND THE PRE-IPO SHARE OPTION SCHEME

Details of the Company's share capital and pre-IPO share option scheme are set out in Notes 14 and 17 to the consolidated financial statements and the paragraph headed "Pre-IPO Share Option Scheme" below, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as of 31 December 2017 are set out in Note 32 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year ended 31 December 2017 amounted to RMB220,000.

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

Consistent with the Board's commitment to maintaining the well-being of the Group and protecting the Group's long-term interest, share repurchase exercises were implemented in June 2017 during the year ended 31 December 2017. In June 2017, a total of 17,268,000 shares of the Company were repurchased by the Company on the Stock Exchange at an aggregate price of HK$41,169,090, which does not include any fees associated with the repurchase. The highest and lowest price paid per Share were HK$2.51 and HK$2.11, respectively. Consequent to these share repurchase exercises, the Company has cancelled 17,268,000 Shares as of 31 December 2017, representing approximately 0.59% of the total number of issued shares of the Company immediately prior to such repurchases and cancellations. As of the date of this report, all of the above repurchased shares were cancelled.

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2017. As the Board is of the view that the value of the Company's shares is consistently undervalued, it believes that the repurchases will go towards addressing this trend. The Board also believes that given the current financial resources of the Company, the share repurchases will not affect the Company's financial position.

PRE-IPO SHARE OPTION SCHEME

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

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

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

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

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

The maximum number of Shares 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, which represent approximately 0.99% of the total issued shares of the Company as of the date of this annual report. As of 31 December 2017, options to subscribe for an aggregate of 15,824,000 Shares (representing approximately 0.54% of the total issued share capital of the Company as of the date of this annual report) have been granted by the Company under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

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

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

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

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

Each option granted under the Pre-IPO Share Option Scheme is valid for five years from the date of grant provided that none of the Pre-IPO Options shall be exercisable prior to the Listing Date. As of 31 December 2017, 4,747,200 Pre-IPO Options have been vested and exercisable.

Details of the outstanding options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2017 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 represented by the outstanding share options as at 1 January 2017	Exercised during the year	Cancelled during the year	Lapsed during the year	**Number of Shares represented by the outstanding share options as at 31 December 2017**
Directors								
Pan Naiyue *(Chief Executive Officer)*	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	633,600	–	–	–	**633,600**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	633,600	–	–	–	**633,600**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	844,800	–	–	–	**844,800**
				2,112,000	–	–	–	**2,112,000**
Sun Limin *(resigned as an executive director on 30 March 2017)*	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	422,400	–	–	–	**422,400**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	422,400	–	–	–	**422,400**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	563,200	–	–	–	**563,200**
				1,408,000	–	–	–	**1,408,000**
Zhang Long	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	633,600	–	–	–	**633,600**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	633,600	–	–	–	**633,600**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	844,800	–	–	–	**844,800**
				2,112,000	–	–	–	**2,112,000**
Wu Guolin *(appointed as an executive director on 30 March 2017)*	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	561,600	–	–	–	**561,600**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	561,600	–	–	–	**561,600**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	748,800	–	–	–	**748,800**
				1,872,000	–	–	–	**1,872,000**

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 represented by the outstanding share options as at 1 January 2017	Exercised during the year	Cancelled during the year	Lapsed during the year	**Number of Shares represented by the outstanding share options as at 31 December 2017**
Li Huifang *(appointed as an executive director on 30 March 2017)*	28 March 2016	$1.625	From 15 July 2017 to 28 March 2021	211,200	–	–	–	**211,200**
	28 March 2016	$1.625	From 15 July 2018 to 28 March 2021	211,200	–	–	–	**211,200**
	28 March 2016	$1.625	From 15 July 2019 to 28 March 2021	281,600	–	–	–	**281,600**
				704,000	–	–	–	**704,000**
Shi Lianghua *(appointed as an executive director on 17 August 2017)*	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	494,400	–	–	–	**494,400**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	494,400	–	–	–	**494,400**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	659,200	–	–	–	**659,200**
				1,648,000	–	–	–	**1,648,000**
Li Qing	28 March 2016	$1.625	From 15 July 2017 to 28 March 2021	561,600	–	–	–	**561,600**
	28 March 2016	$1.625	From 15 July 2018 to 28 March 2021	561,600	–	–	–	**561,600**
	28 March 2016	$1.625	From 15 July 2019 to 28 March 2021	748,800	–	–	–	**748,800**
				1,872,000	–	–	–	**1,872,000**
				11,728,000	–	–	–	**11,728,000**
Members of senior management & other employees of the Group								
In aggregate	21 March 2016	$1.625	From 15 July 2017 to 21 March 2021	1,104,000	–	–	–	**1,104,000**
	21 March 2016	$1.625	From 15 July 2018 to 21 March 2021	1,104,000	–	–	(163,200)	**940,800**
	21 March 2016	$1.625	From 15 July 2019 to 21 March 2021	1,472,000	–	–	(217,600)	**1,254,400**
	28 March 2016	$1.625	From 15 July 2017 to 28 March 2021	124,800	–	–	–	**124,800**
	28 March 2016	$1.625	From 15 July 2018 to 28 March 2021	124,800	–	–	–	**124,800**
	28 March 2016	$1.625	From 15 July 2019 to 28 March 2021	166,400	–	–	–	**166,400**
				4,096,000	–	–	(380,800)	**3,715,200**
Total				15,824,000	–	–	(380,800)	**15,443,200**

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

DIRECTORS

The directors of the Company during the year ended 31 December 2017 (the "**Directors**") and their respective positions were:

Name	Position
Mr. Li Shifa	Chairman of the Board and Executive Director
Mr. Pan Naiyue	Executive Director
Mr. Sun Limin *(resigned on 30 March 2017)*	Executive Director
Mr. Zhang Long	Executive Director
Mr. Wu Guolin *(appointed on 30 March 2017)*	Executive Director
Ms. Li Huifang *(appointed on 30 March 2017)*	Executive Director
Mr. Chen Runfu *(re-designated from a non-executive director to an executive director on 30 March 2017)*	Non-executive Director (from 1 January to 29 March 2017); Executive Director (since 30 March 2017)
Mr. Cheuk Shun Wah *(appointed on 17 August 2017)*	Executive Director
Ms. Shi Lianghua *(appointed on 17 August 2017)*	Executive Director
Mr. Ong Tiong Sin *(resigned on 17 August 2017)*	Non-executive Director
Mr. Liu Xiangge *(resigned on 17 August 2017)*	Non-executive Director
Mr. Wang Yeyi *(appointed on 30 March 2017 and resigned on 28 December 2017)*	Non-executive Director
Mr. Huang Xufeng *(appointed on 28 December 2017)*	Non-executive Director
Ms. Li Qing *(re-designated from an executive director to a non-executive director on 30 March 2017)*	Executive Director (from 1 January to 29 March 2017); Non-executive Director (since 30 March 2017)
Mr. Guo Jingbin	Independent Non-executive Director
Mr. Fung Ching Simon	Independent Non-executive Director
Mr. Wang Tianye	Independent Non-executive Director
Mr. Leung Chi Ching Frederick	Independent Non-executive Director
Mr. Chen Yaomin *(appointed on 30 March 2017)*	Independent Non-executive Director

Mr. Sun Limin has resigned as an executive Director with effect from 30 March 2017. With effect from 30 March 2017, each of Mr. Wu Guolin and Ms. Li Huifang has been appointed as an executive Director; Mr. Wang Yeyi has been appointed as a non-executive Director; and Mr. Chen Yaomin has been appointed as an independent non-executive Director. Ms. Li Qing has been re-designated from an executive Director to a non-executive Director, and Mr. Chen Runfu has been re-designated from a non-executive Director to an executive Director, with effect from 30 March 2017. With effect from 17 August 2017, each of Mr. Ong Tiong Sin and Mr. Liu Xiangge has resigned as a non-executive Director; while each of Mr. Cheuk Shun Wah and Ms. Shi Lianghua has been appointed as an executive Director. With effect from 28 December 2017, Mr. Wang Yeyi has resigned as a non-executive Director and Mr. Huang Xufeng has been appointed as a non-executive Director.

Mr. Pan Naiyue, Mr. Wu Guolin, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Mr. Huang Xufeng, Mr. Guo Jingbin and Mr. Fung Ching Simon shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Li Shifa, Mr. Pan Naiyue and Mr. Zhang Long has entered into a service contract with the Company on 14 June 2016 commencing from even date, while each of Mr. Wu Guolin, Ms. Li Huifang and Mr. Chen Runfu has entered into a service contract with the Company on 29 March 2017 commencing from 30 March 2017. Each of Mr. Cheuk Shun Wah and Ms. Shi Lianghua has signed a service contract with the Company on 17 August 2017 commencing from even date. Mr. Huang Xufeng has entered into a letter of appointment with the Company on 28 December 2017 commencing from even date. Each of Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick has signed a letter of appointment with the Company on 14 June 2016 commencing from even date; while each of Ms. Li Qing and Mr. Chen Yaomin has signed a letter of appointment with the Company on 29 March 2017 commencing from 30 March 2017.

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin), and the Company considers such Directors to be independent for the year ended 31 December 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

As of 31 December 2017, 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/ underlying Shares interested(1)	Approximate percentage of shareholding(2)
Li Shifa	Interest of controlled corporation(3)	785,600,000	26.89%
Pan Naiyue(4)	Beneficial Owner	2,112,000	0.07%
Zhang Long(5)	Beneficial Owner	2,112,000	0.07%
Wu Guolin(6)	Beneficial Owner	1,872,000	0.06%
Li Huifang(7)	Beneficial Owner	704,000	0.02%
Shi Lianghua(8)	Beneficial Owner	1,648,000	0.06%
Li Qing(9)	Beneficial Owner	1,872,000	0.06%

Notes:

(1) All interests stated are long positions.

(2) As of 31 December 2017, the Company had 2,921,726,000 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 785,600,000 Shares held by Yupei International Investment Management Co., Ltd.

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

(5) Mr. Zhang Long is interested in 2,112,000 options granted to him under the Pre-IPO Share Option Scheme of the Company, representing 2,112,000 underlying Shares.

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

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

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

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

(b) Interests in associated corporations

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

Notes:

(1) All interests stated are long positions.

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

Save as disclosed above, as of 31 December 2017, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2017, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of Shares interested[(1)]	Approximate percentage of shareholding[(2)]
Central Huijin Investment Ltd.	Security interest[(3)]	797,753,000	27.30%
China Construction Bank Corporation	Security interest[(3)]	797,753,000	27.30%
Lee International Investment Management Co., Ltd	Interest of controlled corporation[(4)]	785,600,000	26.89%
Yupei International Investment Management Co., Ltd[(4)(5)]	Beneficial owner	785,600,000	26.89%
Ma Xiaocui	Interest of spouse[(6)]	785,600,000	26.89%
RRJ Capital Master Fund II, L.P.	Interest of controlled corporation[(7)]	544,384,000	18.63%
The Carlyle Group L.P.	Interest of controlled corporation[(8)]	286,480,000	9.81%
Carlyle Holdings III GP Management L.L.C.	Interest of controlled corporation[(8)]	286,480,000	9.81%
Carlyle Holdings III GP L.P.	Interest of controlled corporation[(8)]	286,480,000	9.81%
Carlyle Holdings III GP Sub L.L.C.	Interest of controlled corporation[(8)]	286,480,000	9.81%
Carlyle Holdings III L.P.	Interest of controlled corporation[(8)]	286,480,000	9.81%
TC Group Cayman, L.P.	Interest of controlled corporation[(8)]	286,480,000	9.81%
TC Group Cayman Sub, L.P.	Interest of controlled corporation[(8)]	286,480,000	9.81%
Carlyle Asia Real Estate III GP, Ltd.	Interest of controlled corporation[(8)]	286,480,000	9.81%
Seed Coinvestment GP, L.P.	Interest of controlled corporation[(8)]	286,480,000	9.81%
Seed Coinvestment, L.P.	Interest of controlled corporation[(8)]	286,480,000	9.81%
Seed Holding Company I, Limited[(8)]	Beneficial owner	286,480,000	9.81%
Sino-Ocean Group Holding Limited	Interest of controlled corporation[(9)]	287,741,000	9.85%
Shine Wind Development Limited	Interest of controlled corporation[(9)]	287,741,000	9.85%
Faith Ocean International Limited	Interest of controlled corporation[(9)]	287,741,000	9.85%
Sino-Ocean Land (Hong Kong) Limited	Interest of controlled corporation[(9)]	287,741,000	9.85%
Joy Orient Investments Limited[(9)]	Beneficial owner	287,741,000	9.85%

Notes:

(1) All interests stated are long positions.

(2) As of 31 December 2017, the Company had 2,921,726,000 issued Shares.

(3) The 797,753,000 Shares involve (i) a security interest over 785,600,000 Shares which CCB International Overseas Limited is interested in; and (ii) a security interest over 12,153,000 Shares which Design Time Limited is interested in. CCB International Overseas Limited is a wholly-owned subsidiary of CCB International (Holdings) Limited. Design Time Limited is a wholly-owned subsidiary of CCBI Investments Limited, which is in turn wholly-owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is wholly-owned by CCB Financial Holdings Limited, which is in turn wholly-owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is wholly-owned by China Construction Bank Corporation, which is then owned as to 57.11% by Central Huijin Investment Ltd.. Accordingly, each of Central Huijin Investment Ltd. and China Construction Bank Corporation is deemed to be interested in the total number of 797,753,000 Shares, under the SFO.

(4) Mr. Li Shifa holds the entire issued share capital of Lee International Investment Management Co., Ltd, which in turn holds 90% interest in Yupei International Investment Management Co., Ltd. Such interests are also disclosed as the interests of Mr. Li Shifa in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(5) The 785,600,000 Shares held by Yupei International Investment Management Co., Ltd. have been charged in favour of CCB International Overseas Limited as security for a commercial loan provided to Yupei International Investment Management Co., Ltd..

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

(7) RRJ Capital Master Fund II, L.P. holds the entire issued share capital of Berkeley Asset Holding Ltd, which holds 531,424,000 Shares. RRJ Capital Master Fund II, L.P. also holds the entire issued share capital of Travis Asset Holding Ltd, which in turn holds the entire issued share capital of Sherlock Asset Holding Ltd, which holds 12,960,000 Shares. Accordingly, RRJ Capital Master Fund II, L.P. is deemed to be interested in the 531,424,000 Shares held by Berkeley Asset Holding Ltd, and each of RRJ Capital Master Fund II, L.P. and Travis Asset Holding Ltd is deemed to be interested in the 12,960,000 Shares held by Sherlock Asset Holding Ltd.

(8) The Carlyle Group L.P. holds the entire issued share capital of Carlyle Holdings III GP Management L.L.C., which in turn holds the entire issued share capital of Carlyle Holdings III GP L.P., which in turn holds the entire issued share capital of Carlyle Holdings III GP Sub L.L.C., which in turn holds the entire issued share capital of Carlyle Holdings III L.P., which in turn holds the entire issued share capital of TC Group Cayman, L.P., which in turn holds the entire issued share capital of TC Group Cayman Sub, L.P., which in turn holds the entire issued share capital of Carlyle Asia Real Estate III GP, Ltd., which in turn holds the entire issued share capital of Seed Coinvestment GP, L.P., which in turn holds the entire issued share capital of Seed Coinvestment, L.P., which then in turn holds 88.62% of the issued share capital of Seed Holding Company I, Limited. Accordingly, each of The Carlyle Group L.P., Carlyle Holdings III GP Management L.L.C., Carlyle Holdings III GP L.P., Carlyle Holdings III GP Sub L.L.C., Carlyle Holdings III L.P., TC Group Cayman, L.P., TC Group Cayman Sub, L.P., Carlyle Asia Real Estate III GP, Ltd., Seed Coinvestment GP, L.P. and Seed Coinvestment, L.P. is deemed to be interested in the 286,480,000 Shares held by Seed Holding Company I, Limited.

(9) Joy Orient Investments Limited is a wholly-owned subsidiary of Sino-Ocean Land (Hong Kong) Limited, which is in turn wholly-owned by Faith Ocean International Limited. Faith Ocean International Limited is a wholly-owned subsidiary of Shine Wind Development Limited, which is in turn wholly-owned by Sino-Ocean Group Holding Limited. Accordingly, each of Sino-Ocean Land (Hong Kong) Limited, Faith Ocean International Limited, Shine Wind Development Limited and Sino-Ocean Group Holding Limited is deemed to be interested in the 287,741,000 Shares held by Joy Orient Investments Limited.

Save as disclosed above, as of 31 December 2017, the Directors or chief executive are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the shares or the underlying shares 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 2017, revenue attributable to the Group's largest tenant accounted for approximately 30.3%, while the revenue attributable to the Group's five largest tenants accounted for approximately 51.6% of the Group's total revenue in the same period. All of the Group's five largest tenants are independent third parties. None of the Directors, any of their close associates or any shareholders that, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company had any interest in any of the Group's five largest tenants during the year ended 31 December 2017.

During the year ended 31 December 2017, transaction amounts with the Group's largest contractor accounted for approximately 20.4%, five largest contractors accounted for approximately 54.8%, 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 2017.

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 2017.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

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

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in Note 26 to the consolidated financial statements.

PUBLIC FLOAT

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

AUDITOR

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

DISTRIBUTABLE RESERVES

As of 31 December 2017, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, share option reserves and retained earnings totaling approximately RMB2,654 million.

BANK BORROWINGS AND OTHER LOANS

Particulars of bank borrowings and other loans of the Group as of 31 December 2017 are set out in Note 18 to the consolidated financial statements.

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

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

The independent non-executive Directors (being Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin) have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2017. 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 2017 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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on 15 July 2016. A total of 1,035,707,000 new ordinary shares with nominal value of US$0.0000625 each of the Company were issued at HK$3.25 per Share for a total of approximately HK$3,366.0 million. In addition, on 10 August 2016, the Company issued an additional 58,695,000 ordinary shares with nominal value of US$0.0000625 each of the Company pursuant to the partial exercise of the over-allotment option under the global offering at HK$3.25 per Share for a total of approximately HK$190.8 million. The net proceeds raised by the Company from the global offering (including the partial exercise of the over-allotment option on 6 August 2016), after deducting the underwriting fees and commissions and estimated expenses payable by the Company in relation to the global offering (the "**Net Proceeds**"), amounted to an aggregate of approximately HK$3,362.1 million, comprising HK$3,175.4 million raised from the global offering and HK$186.7 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option.

During the year ended 31 December 2017, the Net Proceeds of HK$3,362.1 million had been fully utilized for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

SECURED NOTES

On 8 August 2017, the Company issued senior notes (the "**Original Notes**") in the aggregate principal amount of US$100,000,000, which have been listed on the Stock Exchange. The Original Notes bear interest from and including 8 August 2017 at a rate of 8% per annum payable semi-annually in arrears on 8 February and 8 August of each year, commencing on 8 February 2018, and are due for repayment on 8 August 2020. Pursuant to the terms of the Original Notes, certain subsidiaries of the Company have provided pledges over the stock in certain subsidiaries of the Company held by them to secure the obligations of the Company under the Original Notes, and of certain subsidiaries of the Company under their guarantees provided to secure the Company's obligations under the Original Notes. For details, please refer to the announcements of the Company dated 25 July 2017, 2 August 2017 and 8 August 2017.

Net proceeds from the issuance of the Original Notes, after deducting the underwriting discounts and commissions and other expenses paid in connection with the issuance, amounted to approximately US$97 million. The Company has utilized the net proceeds for repaying existing offshore indebtedness and general corporate purposes.

On 14 September 2017, the Company issued additional senior notes (the "**Additional Notes**") in the aggregate principal amount of US$100,000,000 which bear interest at a rate of 8% per annum and will mature in August 2020, the principal terms of which are the same as the terms of the Original Notes. The Additional Notes have been listed on the Stock Exchange. For details, please refer to the announcements of the Company dated 12 September 2017, 13 September 2017 and 14 September 2017. Net proceeds from the issuance of the Additional Notes, after deducting the underwriting discounts and commissions and other expenses paid in connection with the issuance, amounted to approximately US$98 million. The Company has utilized the net proceeds from the issue of the Additional Notes for repaying existing offshore indebtedness and general corporate purposes.

Furthermore, on 28 December 2017, the Company further issued additional senior notes (the "**Further Additional Notes**") in the aggregate principal amount of US$100,000,000 which bear interest at a rate of 8% per annum and will mature in August 2020, the principal terms of which are the same as the terms of the Original Notes and Additional Notes. The Further Additional Notes have been listed on the Stock Exchange. For details, please refer to the announcements of the Company dated 15 December 2017, 17 December 2017 and 28 December 2017. Net proceeds from the issuance of the Further Additional Notes, after deducting the underwriting discounts and commissions and other expenses paid in connection with the issuance, amounted to approximately US$97 million. The Company has utilized the net proceeds from the issue of the Further Additional Notes for repaying existing offshore indebtedness and general corporate purposes.

Details of secured notes of the Group outstanding during the year are set out in Note 18 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

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

The 2015 Yushuo Group Transactions

Reference is made to the Prospectus with respect to the property leasing transactions among relevant members of the Group (as lessors) and certain members of the Yushuo Group (as lessees). The annual cap for each of the property lease agreements for the year ended 31 December 2017 and the year ending 2018 represents the maximum annual rental (and, where provided under the relevant property lease agreement, the maximum annual property management fee) payable by relevant members of the Yushuo Group under the property lease agreement. None of the annual caps under each of the property lease agreements has been exceeded for the financial year ended 31 December 2017.

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands)		Actual Transaction Amount (RMB in thousands)
					For the year ended 31 December 2017	For the year ending 31 December 2018	For the year ended 31 December 2017
Shanghai Yupei	Shanghai Yupei Specialty Building Materials	4/F of the office building, a factory building, four dormitory buildings and the first floor of a two-storey factory building located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018	18,154.71	5,801.5	5,975.5	5,525.2
Shanghai Yupei	Shanghai Yupei E-commerce	Offices and warehouses located at part of 1/F, and 3/F of the office building located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018	3,500	1,118.5	1,152.0	266.3
Shanghai Yupei	Shanghai Yupei Construction	Offices and warehouses located at part of 2/F, and 5/F and 6/F of the office building located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018	2,500	798.9	822.9	760.9

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands)		Actual Transaction Amount (RMB in thousands)
					For the year ended 31 December 2017	For the year ending 31 December 2018	For the year ended 31 December 2017
Shanghai Yupei	Shanghai Yupei Express Logistics	(1) Offices and warehouses located at 1/F and part of 2/F of the office building and the second floor of a two-storey factory building (the "**Initial Portion**"); and (2) warehouses located at the second floor of a two-storey factory building (the "**Later Portion**"), all located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018 (1 January 2016 to 31 March 2016 under the Initial Portion and 1 April 2016 to 31 December 2018 under the Later Portion)	(1) 9,428 under the Initial Portion (2) 5,030.33 under the Later Portion	1,607.5	1,655.7	312.8
Wuhu Yupei Warehousing	Shanghai Yupei Express Logistics	Offices, warehouses and certain covered area at warehouse number 1, units A, B, C and D located at the intersection of S321 Provincial Road and E'xi Road, Sanshan Economic Development Zone, Wuhu, Anhui Province, the PRC	*Date:* 15 December 2015 *Duration:* 1 January 2016 to 31 December 2018	25,603.90	5,365.7	5,555.5	4,058.8
Suzhou Yupei Warehousing	Shanghai Yupei Express Logistics	Offices, warehouses and certain covered area at warehouse number 1, 1/F, offices at unit A, and units B and C, located at 515 East Cuiwei Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	*Date:* 25 December 2015 *Duration:* 1 January 2016 to 31 December 2018	10,271.00	3,217.8	3,328.3	3,062.5

Lessor	Lessee	Leased Premises	Date and Duration of Lease	GFA of Leased Premises (sq.m.)	Annual Cap (RMB in thousands)		Actual Transaction Amount (RMB in thousands)
					For the year ended 31 December 2017	For the year ending 31 December 2018	For the year ended 31 December 2017
Suzhou Yupei Warehousing	Shanghai Yupei Express Logistics	Six units at a dormitory building with located at 28 Hengxinjing Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	*Date:* 20 December 2015 *Duration:* 1 January 2016 to 31 December 2018	180	36.0	36.0	34.3

The amounts payable to the Group under the property lease agreements represent the prevailing market rentals of similar office and warehouse spaces, factory buildings and dormitory buildings in neighboring areas based on available property rental market comparables and as negotiated and agreed by the parties on an arm's length basis.

In respect of the abovementioned leasing transactions, the Company has obtained a waiver from the Stock Exchange from strict compliance with the announcement, circular and independent shareholders' approval requirements under Rule 14A.35, 14A.36, 14A.46 and 14A.53(3) of the Listing Rules.

The 2017 Property Lease Transactions

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

The property leasing transactions are subject to the annual caps in respect of the year ended 31 December 2017 and the years ending 31 December 2018 and 2019, being the aggregate rentals and service fees payable to the Group by relevant members of the Yushuo Group under the respective 2017 Lease Agreements for the Premises in each year, respectively). The annual caps for the lease transactions contemplated under the 2017 Lease Framework Agreement and as approved by the independent shareholders at the extraordinary general meeting of the Company held on 8 June 2017 during the year ended 31 December 2017 and the years ending 31 December 2018 and 31 December 2019 are RMB6,120,000, RMB14,871,000 and RMB15,316,000, respectively. During the year ended 31 December 2017, the actual transaction amount was RMB5,826,000 and the annual cap has been kept.

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

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

(ii) on normal commercial terms or better; and

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

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

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2017 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 34 to the consolidated financial statements. In respect of these transactions, the Directors have confirmed that the Company was in compliance with the applicable requirements under Chapter 14A of the Listing Rules.

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

By order of the Board
Li Shifa
Chairman

Hong Kong, 26 March 2018

Corporate Governance Report

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2017.

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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules since the Listing Date and up to 31 December 2017.

The Board considers that during the period from the Listing Date to 31 December 2017, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

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

BOARD OF DIRECTORS

Board Composition

The following chart illustrated the structure and membership of the Board and the Board committees as at 31 December 2017:

Board of Directors

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

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

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

Audit Committee

Mr. Fung Ching Simon, *Chairman*
Mr. Guo Jingbin
Mr. Leung Chi Ching Frederick

Remuneration Committee

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

Nomination Committee

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

During the year ended 31 December 2017, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

Chairman and President

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

Mr. Li Shifa ("**Mr. Li**") is the chairman and president of the Company. With extensive experience in the logistics facilities industry, Mr. Li is responsible for formulating and leading the implementation of the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group and is instrumental to the growth and business expansion of the Group since its establishment in 2000. The Board considers that vesting the roles of chairman and president in the same person is beneficial to the management of the Group. Moreover, in order to better comply with code provision A.2.1 of the CG Code, with effect from 26 March 2018, Mr. Pan Naiyue, an executive director of the Company, has been appointed as the chief executive officer of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently comprises eight executive Directors (including Mr. Li and Mr. Pan Naiyue), two non-executive Directors and five independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

Appointment and Re-election of Directors

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

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

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

In accordance with the Articles, Mr. Pan Naiyue, Mr. Wu Guolin, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Mr. Huang Xufeng, Mr. Guo Jingbin and Mr. Fung Ching Simon shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The Board and the Nomination Committee of the Company have made recommendations for their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the retiring Directors 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 2017, the Company has provided reading materials on regulatory update to all its Directors, namely, Mr. Li Shifa, Mr. Pan Naiyue, Mr. Zhang Long, Mr. Wu Guolin, Ms. Li Huifang, Mr. Chen Runfu, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Mr. Huang Xufeng, Ms. Li Qing, Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin, for their reference and studying. Besides, Mr. Li Shifa, Mr. Pan Naiyue, Mr. Zhang Long, Mr. Wu Guolin, Ms. Li Huifang, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Ms. Li Qing, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin attended other seminars and training sessions arranged by other professional firms/institutions.

Corporate Governance Functions

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

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

Attendance Records of Directors and Committee Members

The attendance records of each Director at the regular Board meetings, Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2017 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Li Shifa	4/4	—	2/2	3/3	1/1	1/1
Mr. Pan Naiyue	4/4	—	—	—	1/1	1/1
Mr. Sun Limin (Note 1)	1/1	—	—	—	—	—
Mr. Zhang Long	4/4	—	—	—	1/1	1/1
Mr. Wu Guolin (Note 2)	3/3	—	—	—	1/1	1/1
Ms. Li Huifang (Note 3)	3/3	—	—	—	1/1	1/1
Mr. Chen Runfu	4/4	—	—	—	1/1	1/1
Mr. Cheuk Shun Wah (Note 4)	2/2	—	—	—	—	—
Ms. Shi Lianghua (Note 5)	2/2	—	—	—	—	—
Mr. Ong Tiong Sin (Note 6)	2/2	—	—	—	1/1	1/1
Mr. Liu Xiangge (Note 7)	2/2	—	—	—	1/1	1/1
Mr. Wang Yeyi (Note 8)	2/2	—	—	—	1/1	1/1
Mr. Huang Xufeng (Note 9)	—	—	—	—	—	—
Ms. Li Qing	4/4	—	2/2	3/3	1/1	1/1
Mr. Guo Jingbin	4/4	3/3	2/2	3/3	1/1	1/1
Mr. Fung Ching Simon	4/4	3/3	2/2	—	1/1	1/1
Mr. Wang Tianye	4/4	—	2/2	3/3	1/1	1/1
Mr. Leung Chi Ching Frederick	4/4	3/3	—	3/3	1/1	1/1
Mr. Chen Yaomin (Note 10)	3/3	—	—	—	1/1	1/1

Notes:-

1. Mr. Sun Limin resigned as an executive Director of the Company on 30 March 2017. During the period from 1 January 2017 up to his resignation date, 1 regular Board meeting was held.

2. Mr. Wu Guolin was appointed as an executive Director of the Company on 30 March 2017. Subsequent to his appointment as an executive Director, 3 regular Board meetings, 1 annual general meeting and 1 extraordinary general meeting were held.

3. Ms. Li Huifang was appointed as an executive Director of the Company on 30 March 2017. Subsequent to her appointment as an executive Director, 3 regular Board meetings, 1 annual general meeting and 1 extraordinary general meeting were held.

4. Mr. Cheuk Shun Wah was appointed as an executive Director of the Company on 17 August 2017. Subsequent to his appointment as an executive Director, 2 regular Board meetings were held.

5. Ms. Shi Lianghua was appointed as an executive Director of the Company on 17 August 2017. Subsequent to her appointment as an executive Director, 2 regular Board meetings were held.

6. Mr. Ong Tiong Sin resigned as a non-executive Director of the Company on 17 August 2017. During the period from 1 January 2017 up to his resignation date, 2 regular Board meetings, 1 annual general meeting and 1 extraordinary general meeting were held.

7. Mr. Liu Xiangge resigned as a non-executive Director of the Company on 17 August 2017. During the period from 1 January 2017 up to his resignation date, 2 regular Board meetings, 1 annual general meeting and 1 extraordinary general meeting were held.

8. Mr. Wang Yeyi was appointed on 30 March 2017 and resigned on 28 December 2017 as a non-executive Director of the Company. During the period from 30 March 2017 up to his resignation date, 2 regular Board meetings, 1 annual general meeting and 1 extraordinary general meeting were held.

9. Mr. Huang Xufeng was appointed as a non-executive Director of the Company on 28 December 2017. Subsequent to his appointment as a non-executive Director, no regular Board meeting was held.

10. Mr. Chen Yaomin was appointed as an independent non-executive Director of the Company on 30 March 2017. Subsequent to his appointment as an independent non-executive Director, 3 regular Board meetings, 1 annual general meeting and 1 extraordinary general meeting were held.

BOARD COMMITTEES

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

Remuneration Committee

The Remuneration Committee currently comprises a total of five members, being three independent non-executive Directors, namely, Mr. Guo Jingbin (Chairman), Mr. Fung Ching Simon and Mr. Wang Tianye; one non-executive Director, namely, Ms. Li Qing (previously an executive Director and was re-designated on 30 March 2017) and one executive Director, namely, Mr. Li Shifa. Accordingly, the majority of the members are independent non-executive directors.

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

During the year ended 31 December 2017, the Remuneration Committee has held two meetings and performed the following major tasks:

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

— Recommendation of the remuneration packages of Mr. Wu Guolin, Ms. Li Huifang, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Mr. Wang Yeyi and Mr. Chen Yaomin, the newly appointed Directors 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 members of the senior management other than Directors by band for the year ended 31 December 2017 is set out below:

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

Details of the remuneration of each of the Directors for the year ended 31 December 2017 are set out in Note 37 to the consolidated financial statements.

Audit Committee

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

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

During the year ended 31 December 2017, the Audit Committee has held three meetings and performed the following major tasks:

— Review and discussion of the annual financial results and report for the year ended 31 December 2016 and interim financial results and report for the six months ended 30 June 2017;

— Review the Group's continuing connected transactions for the year ended 31 December 2016;

— Review of the scope of audit work, auditor's fees and terms of engagement for the year ended 31 December 2017;

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

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

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

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

Nomination Committee

The Nomination Committee currently comprises a total of five members, being one executive Director, namely, Mr. Li Shifa (Chairman); three independent non-executive Directors, namely, Mr. Guo Jingbin, Mr. Wang Tianye and Mr. Leung Chi Ching Frederick; and one non-executive Director, namely, Ms. Li Qing (previously an executive Director and was re-designated on 30 March 2017). 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 (i) review the Board composition, develop and formulate relevant procedures for the nomination and appointment of directors; (ii) make recommendations to the Board on the rotation, appointment and succession planning of directors; and (iii) assess the independence of independent non-executive directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorship, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2017, the Nomination Committee has held three meetings and performed the following major tasks:

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

— Recommendation of the re-appointment of those directors standing for re-election at the 2017 annual general meeting of the Company;

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

— Recommendation of (i) the appointment of Mr. Wu Guolin, Ms. Li Huifang, Mr. Cheuk Shun Wah and Ms. Shi Lianghua as executive Directors; (ii) the re-designation of Mr. Chen Runfu from a non-executive Director to an executive Director and the re-designation of Ms. Li Qing from an executive Director to a non-executive Director; (iii) the appointment of Mr. Wang Yeyi and Mr. Huang Xufeng as non-executive Directors; and (iv) the appointment of Mr. Chen Yaomin as an independent non-executive Director.

OBSERVANCE OF UNDERTAKING RELATING TO LEASE REGISTRATION

Historically, certain leases of the Group for its logistics facilities, offices and registered address were not been registered and filed with relevant land and real estate administration bureaus in the PRC and prior to the listing of the Company, the Group had enhanced its internal control measures 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 2017, 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 2017, 26 leases out of the 133 leases for the Group's logistics facilities (covering GFA of approximately 2,160,918 sq.m.) had been registered and the Group was in the process of registering the remaining 107 leases and will take all practicable steps to ensure that such leases are registered.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities for the audit of the consolidated financial statements for the year ended 31 December 2017 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 2017 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 2017	3,805
Non-audit services:	
Interim review and others	1,930
TOTAL:	5,735

COMPANY SECRETARY

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

The Company has not made any changes to the Articles during the year ended 31 December 2017. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

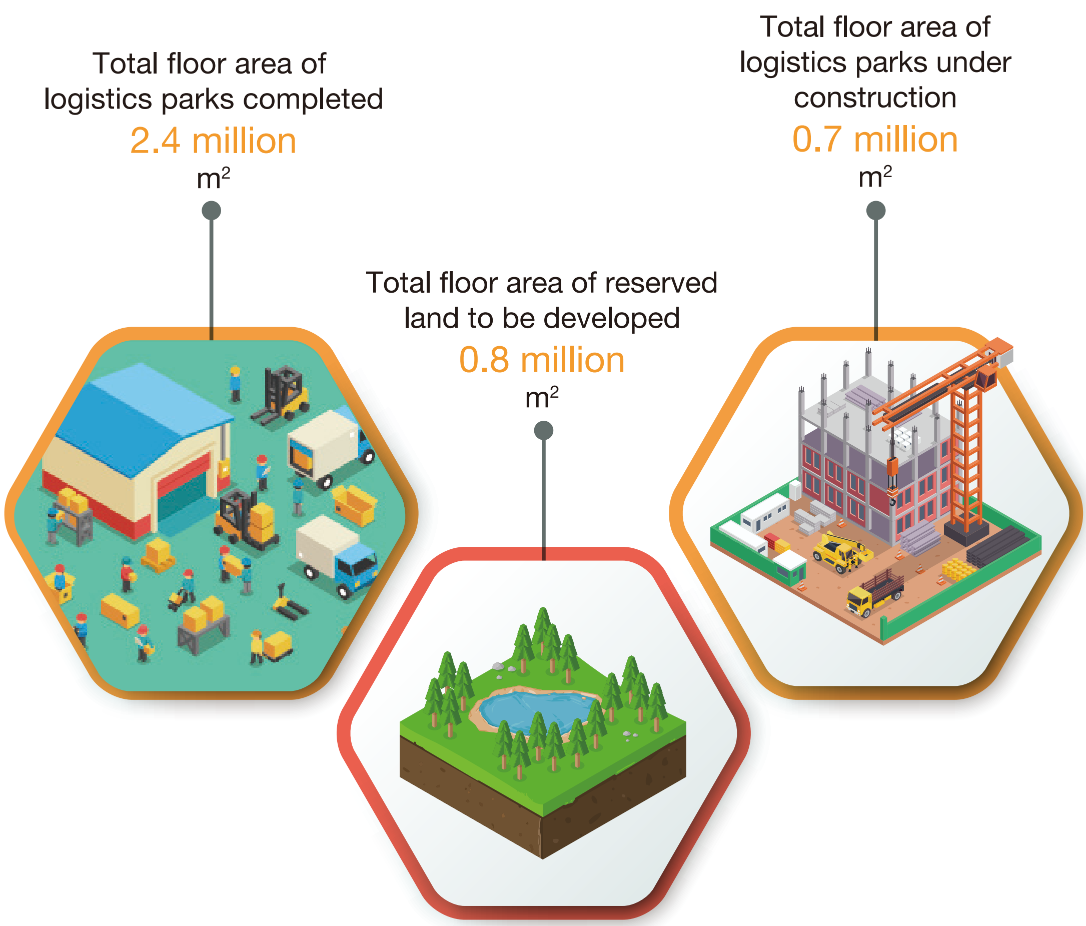
Environmental, Social and Governance Report

INTRODUCTION

ABOUT CNLP

China Logistics Property Holdings Co., Ltd ("**CNLP**", together with its subsidiaries collectively referred to as the "**Group**" or "We"), headquartered in Shanghai, is engaged in the rental service of high-quality logistics facilities in the People's Republic of China ("**PRC**"). The Group is a leading first-class logistics facility developer and operator in China. Our business covers the design, development, leasing, operation and management of logistics and warehousing facilities. We mainly serve customers in the fields of production, retail, e-commerce and logistics services. The Group owns logistics parks all over the country leading to a comprehensive logistics network and has established solid business relationship with both local and overseas tenants. The Group was successfully listed in Hong Kong in July 2016.

As at December 31, 2017, the Group manages and operates 27 logistics parks in 14 provinces or municipalities in the PRC with a logistics asset portfolio (including those under construction and planning stage) of about 3.9 million m^2. Our efficient logistics network covering China's major logistics hubs supports our tenants in their business development through progressive expansion in our logistics facilities and our nationwide network.



ABOUT THIS REPORT

This is our second Environmental, Social and Governance ("ESG") Report. Unless otherwise specified, this report covering the period from 1 January 2017 to 31 December 2017, mainly outlines our management approaches, strategies and performance regarding sustainable development of our Shanghai, Beijing and Hong Kong offices and the logistics parks with operational control. In the preparation of this report, we have complied with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The purpose of this report is not only to share with stakeholders our management approach and performance but also to provide a detailed overview of our community and environmental sustainability activities in our business operations. We treat sustainability as an important element of the Group's long-term growth.

As a corporate citizen with a strong sense of social responsibility, we are committed to integrating the management principles and strategies of sustainable development into all aspects of our operations. We warmly welcome comments and suggestions concerning this report from stakeholders. Please contact us via admin.yp@yupeigroup.com.

LETTER TO STAKEHOLDERS

Dear Stakeholders,

On behalf of the Group, I am pleased to present our 2017 Environmental, Social and Governance Report. As always, the Group treats it as our mission to actively fulfil social responsibility. In this report, we detail how the Group has done its utmost to promote sustainable development over the past year to create long-term value for its employees, shareholders and investors, tenants, suppliers, governments and communities.

As a responsible pioneer in the industry, we believe that sustainability not just encompasses expansion of our nationwide network but also underpins our environmental performance, community contributions as well as our relationships with our employees, shareholders, customers and suppliers. Therefore, achieving sustainable development has always been the goal pursued by the Group. At the same time, adopting sufficient and effective measures to implement environmental, social and governance requirements is a prerequisite for the Group to enhance its capacity for sustainable development.

We are committed to environmental protection and we are always working hard to seek and adopt more advanced energy-saving technologies and materials. We strive to act as a role model and promote carbon reduction and contribute to countering global climate change. We are devoted to creating vibrant and sustainable communities and pursuing green development and operations.

Employees are the Group's most valuable asset. They are not only the pillars of the Group's mission and business strategy, but also the key to our quality assurance. "Sharing the achievements of development with the employees" is the philosophy that the Group has always adhered to. We will, as always, provide a safe, healthy and friendly working environment for our employees and give them good career prospects, training opportunities and competitive salaries and benefits.

Our business development and achievements are closely linked to the prosperity of the community. As a member of the community, we spare no efforts in contributing to the community through different ways and contributions in the hope of maintaining harmony in the community.

Through various channels in our daily operations, such as annual reports, meetings, site visits and regular dialogues, we continue the two-way communications with stakeholders and maintain sound relationships. By understanding the expectations of our different stakeholder groups, the Group can better adapt our business strategies to respond to their needs, anticipate risks and enhance key relationships. We will explain issues concerned by each stakeholder in different sections of this report.

Looking forward, we will continue to regard sustainable development as the focus of our corporate strategy and continue to provide tenants with quality logistics park projects and outstanding services. The preparation of the Environmental, Social and Governance Report provides a good opportunity for the Group to consider our position in the direction of sustainable development. At the same time, we also look forward to your valuable suggestions and support to enable the Group to make continuous improvements in all areas.

Mr. Li Shifa
Founder, Chairman, President and Executive Director
Feb 2018

OUR ENVIRONMENT

As a leader in high-quality logistics park facilities in China, we shoulder social responsibility, actively focus on global climate change and other environmental challenges and promote sustainable warehousing operations. The Group strives to integrate environmental, social and governance considerations into the decision-making process at all stages of logistics park projects, including project site selection, construction materials selection, design and planning of the park as well as daily operations and management. In the development of each logistics park project, we strictly follow the provisions laid down by the approved environmental impact assessment report and environmental impact assessment to minimize the ecological impact on the environment and reduce resources consumption.

Project Planning and Development

Green Development and Construction

- **Project Environmental Impact Analysis**
- **Environmental Protection at Construction Site**
  - Air Pollution Management
  - Noise Pollution Management
  - Wastewater Management
  - Waste Management
- **Resources Management at Construction Site**
  - Water Conservation
  - Energy Conservation
- **First-Class Warehouse Construction Quality**

Daily Operation of The Logistics Parks

Green Operation and Management

- Air Pollution Management
- Waste Management
- Energy Management
- Water Management

Quality Facilities and Services

- **First-Class Warehouse Facilities Specifications**
- **Professional Property Management Services**
  - Logistics Park Security and Safety
  - Caring Customer Services
  - Marketing and Advertising Management

During the reporting period, Jiaxing Yupei Logistics Park, Suzhou Yuqing Logistics Park, Wuxi Yupei Logistics Park and Suzhou Yupei Logistics Park were rewarded the highest 3-star China Green Warehouses Certificate by the China Association of Warehousing and Distribution. These four high-standard modern logistics parks have been recognized for meeting the standards in 12 aspects including warehouse planning, energy measurement management and water resources management. The concerned logistics parks are located properly, being in the vicinity of major highways or industrial parks. The use of new energy saving wall materials also improves the overall wall insulation of the premises, reducing energy consumption.

Case Sharing – Photovoltaic Power Generation Technology Application

In response to the government's environmental protection policies, the Group has been actively implementing the application of solar photovoltaic technology in logistics parks and made full use of clean and renewable energy to reduce carbon emissions and contribute to environmental protection. During the reporting period, photovoltaic power generation system was installed in the Wuhu and Jiaxing Logistics Parks in June and November respectively, generating a total of 2,891,440 kWh of green electricity, which was primarily consumed by the logistics parks via the solar photovoltaic electricity generator, with the remaining electric power connected to the electric grid.

GREEN DEVELOPMENT AND CONSTRUCTION

Project Environmental Impact Analysis

The Group has established the Project Development and Construction Management System, and is committed to implementing environmental protection solutions in every logistics park during the development and construction stage. At initial planning stage, we select areas with well-developed transportation facilities as project site location to reduce cost and environmental impact brought by transportation. In early stage of projects, the Group conducts site visits in accordance with the environmental regulations such as Environmental Protection Law of the PRC and the Environment Impact Assessment Law of the PRC, to assess the impact of the projects on the environment, including environmental pollution and ecological damage, and submit reports to the local environmental authority for approval. In addition, we actively introduce environmentally friendly and energy saving materials, for instance, heat-insulated autoclaved aerated concrete blocks and durable compressive-resistant grass-planting bricks are used in Changzhou Yupei Logistics Park.

Environmental Protection at Construction Site

We require all construction projects to strictly implement improvement measures laid down in the Environmental Impact Assessment report and the Environmental Protection Measures at the Construction Site. Regular inspections are carried out to ensure those measures can effectively reduce environmental impact caused by the construction projects. We are strictly compliant with the Three Simultaneities established according to the Environmental Protection Law of the PRC, that is, pollution prevention and control measures are designed, constructed and operated simultaneously with the construction project, while the demolition and idling of relevant facilities is prohibited. We make use of posters at the construction site to remind all staff of strictly adhering to the measures to reduce air, water, noise and land pollution. At the same time, we conduct environmental protection education regularly for on-site workers to promote water conservation, energy conservation and vegetation protection.

Air Pollution Management

We require project contractors to comply with the relevant environmental laws, regulations and other provisions of the Law of the PRC on the Prevention and Control of Atmospheric Pollution and the Integrated Emission Standard of Air Pollutants. To control the dust caused by construction, we adopt a series of measures such as water sprinkling during excavation, burying and crushing works, and hardening the main roads on the site in addition to covering, curing and greening. Earthwork backfilling, transhipment and other construction processes that may cause dust pollution are prohibited when windstorm level 4 or above is hoisted to reduce air pollution.

Noise Pollution Management

We act in accordance with the Emission Standard of Environment Noise for Boundary of Construction Site to implement relevant measures, strictly stick to the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise. Construction machineries and vehicles are the major sources of noise during construction. Major mitigation measures include the following:

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

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

- Use only machinery and equipment with noise emission meeting required standard, utilize noise elimination devices and monitor noise level to ensure it meets the national Environmental Quality Standard for Noise or other local noise emission standard. Any construction activities with noise level exceeding the limit will be terminated at once and whoever makes excessive noises will be penalized.

Wastewater Management

Domestic sewage and construction waste water are the main source of wastewater during construction. They are treated properly to prevent sewage leakage, polluting underground water. Sanitary sewage is processed by sewage processing station before being used for plant watering and road washing and not to be discharged improperly. We make sure that the treated sewage quality meets the standard stated in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant and the Reuse of Recycling Water for Urban-Water Quality Standard for Urban Miscellaneous Water Consumption. We also make use of processed domestic waste water as far as possible for construction activities such as water sprinkling for dust suppression and washing incoming and outgoing vehicles.

Waste Management

We reduce waste at source and separate waste for recycling. Solid waste management is strictly complied with the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes and its amendments. Solid waste generated during construction is mainly classified into three types, namely domestic garbage, construction waste and earthwork. We provide recycling containers to collect recyclables such as construction papers, waste steel materials, etc., collected by qualified recyclers. Excess earthworks and construction materials are used for backfilling. Wastes that cannot be recycled or reused are collected by environmental protection authority for central treatment to ensure they are properly disposed of to prevent secondary pollution to the neighbourhood.

Resources Management at Construction Site

At construction sites, we explore potential measures to maximize the energy and water efficiency, putting sustainable use of resources into practice.

Water Efficiency

Water efficiency measures are implemented at construction sites. They include:

- Install water meter in office, living and construction areas;
- Introduce water saving valves;
- Assign responsible personnels for water leakage inspection for each of office areas, living areas and construction areas; and
- Make full use of groundwater produced by precipitation from foundation pit for fire prevention, dust reduction, vehicle washing, toilet flushing, concrete curing in structural construction and construction water in secondary renovation.

Energy Efficiency

In the mechanic and electrical engineering system of logistics parks, we have preference for choosing energy efficient construction machinery and energy saving systems, such as the use of energy efficient lighting and local lighting and /or air conditioning control. In addition, idle construction machinery, lighting or air conditioning are required to be switched off.

During the reporting period, we were not aware of any significant negative impacts of construction activities on the environment and natural resources nor any violation of relevant environmental laws, regulations and other provisions.

First Class Warehouse Construction Quality

The Group established Project Development and Construction Management System to ensure the construction quality of the logistics park projects. The Group requires contractors to strictly follow the construction drawings and plans. We also assign quality inspectors to station at construction sites to conduct regular inspection on all areas of construction work. In addition, the Group requires quality inspector, project managers and construction engineers to submit inspection reports on a regular basis. The Group's construction management and engineer department also carry out spot checks on the construction work of the projects.

GREEN OPERATION AND MANAGEMENT

Air Pollution Management

Forklifts are commonly used as cargo handling tools in logistics parks. Diesel based forklifts generate emissions such as particulate matter and nitrogen oxides, causing air pollution. Since the use of forklifts is within indoor warehouse, it is difficult to discharge the exhaust gases. Therefore, we introduce electronic forklifts to reduce air pollution. We also actively encourage staff to take more public transport to minimize exhaust gas emission.

Waste Management

We place recycling bins in our offices and provide clear guidelines to remind our staff of minimizing the use of paper and to boost double-sided printing and recycling of paper. Besides encouraging our own staff to reduce the use of paper, we also provide guidelines for reduction of waste generation to tenants regularly and to encourage them to fully utilize the classified recycling facilities.

Energy Management

Aiming at reducing consumption, high efficiency and low emission, the Group has formulated different energy saving and emission reduction measures. Besides staff training and environmental protection reminders in office areas, our logistics parks also gradually introduce renewable energy solutions.

Water Management

We provide proper staff training and make use of water-saving reminders in office to promote water conservation. At the same time, we adopt user/polluter-pays principle in logistics parks where tenants need to pay according to their water consumption to expressly encourage water conservation. We also implement drip irrigation for plant watering to reduce water consumption.

Case Sharing – "Adding Green to China Logistics Property" Tree Planting Day

In March this year, the Group organized the first "Adding Green to China Logistics Property" Tree Planting Day. At our logistics park in Kunshan, senior executives of the Group planted osmanthus trees that symbolize goodness and loftiness, opening a new chapter for green in 2017.

Key Environmental Data

Indicator	Unit	Total
Total GHG emission	tCO_2e	1,980.63
Direct (Scope 1)	tCO_2e	861.08
Indirect (Scope 2)	tCO_2e	1,736.42
Emission reduction (Tree plantation) (Scope 1)	tCO_2e	616.86
Total GHG emission intensity (Scope 1 & 2)	$kgCO_2e$/sq.m.	0.64
Nitrogen Oxides(NOx)	kg	18.40
Sulphur Oxides(SOx)	kg	0.32
Particular Matter(PM)	kg	4.33
Total energy consumption	kWh	7,237,134.61
Electricity	kWh	2,938,245.76
Diesel	kWh	326,633.14
Unleaded petrol	kWh	73,642.94
Gasoline	kWh	321.96
Natural Gas	kWh	3,898,290.80
Total energy consumption intensity	kWh/m^2	2.33
Total water consumption	m^3	56,635.32
Total water consumption intensity	L/m^2	18.20
Total non-hazardous waste produced	tonnes	2,577.16
Total paper consumption	tonnes	0.93
Other general refuse	tonnes	2,576.23
Non-hazardous waste intensity	kg/m^2	0.83

* The data covers our (i) Shanghai Office,(ii) Beijing Office, (iii) Hong Kong Office and (iv) the 23 logistics parks with operational control and in operation.

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

QUALITY FACILITIES AND SERVICES

The Group has obtained the ISO9001:2008 Quality Management System Certification. We believe that quality control is the key to meeting the expectation of our tenants. We spare no efforts to pursue excellence in both hardware and software, providing stable and reliable first class logistics parks to tenants and continuously improve our service quality. During the reporting period, the Group was rewarded the National Warehousing Industry Transformation and Upgrading Model Enterprises by the China Association of Warehousing and Distribution, recognizing our effort in business model innovation, promotion of the application of new technology, socialization of storage resources utilization, strengthening the construction of warehousing enterprise information, improvement in the standardization of warehousing enterprise etc., leading the industry and becoming an industry standard.

First Class Warehouse Facilities Specifications

Our logistics parks are conveniently located with well-established transportation facilities such as highways, railways, ports and airports. They are also strictly adhere to first-class warehouse design specifications including requirements in loading and carrying capacity, floor area, structure, fire prevention and other safety measures. Our logistics parks are located across the country, allowing our tenants to expand their business with ease.

High ceiling

Spacious column-to-column distance

Avant-garde loading facilities

Huge facet panels

Professional Property Management Service

Logistics Park Safety and Security

Since the commencement of our logistics park, the Group adopts safety measures such as 24/7 (24 hours a day, 7 days a week) security patrol, entrance-exit registration and fire monitoring system. It is also prohibited to use fire or to bring dangerous goods including inflammable, explosive and highly toxic materials into the logistics park. There are fire extinguishers and protective clothing in every logistic park. Tenants are also not allowed to release toxic gases or generate noise and vibration above prescribed levels to ensure safety in the logistics park.

To enhance employee's ability to cope with emergencies and protect life and property in the park, the Group has formulated a series of emergency preparedness and response plans including the Security Contingency Plan, Dangerous Goods Leakage Contingency Plan, Fire Contingency Plan, Traffic Accident Contingency Plan, Public Health Emergencies Contingency Plan etc., to act in accordance with relevant national laws and regulations. Regular drills are also conducted.

Suzhou Yupei Logistics Park (Kunshan) Fire Drill

Huizhou Yupei Logistics Park Fire Drill

Zhengzhou Yupei Logistics Park Fire Drill

Caring Customer Services

We have always insisted on providing excellent services to tenants. We work closely with existing and potential tenants and provide tailor-made integrated value-added solutions to tenants when necessary while maintaining a high standard of safety, security and environment requirements. During the reporting period, each logistics park actively makes improvement increasing the greening area to create a garden-like logistics park, aiming at providing a comfortable working environment. We set up special inspection teams to inspect the park, to figure out management defects and to improve property management services in all aspects.

Case Sharing – Full Support to Tenant's Peak Season

We acted in concert with e-commerce tenants and third party logistics suppliers to meet the special incremental demand for logistics services during major promotional activities such as 6.18 and 11.11. We worked closely with our tenants, conducted visits prior to the activities to understand and satisfy their needs. At the same time, we conducted full inspection for all park equipment and facilities to ensure everything ran smooth during promotional periods. Overtime work with additional manpower was arranged to ensure flow of both people and vehicle were in order. We cleaned up and tidied up garbage on a timely basis in the logistics park to assist our tenants in winding up the festivities smoothly, earning favourable comments from tenants.

Case Sharing – Instant Processing of Tenant's Feedbacks

During the reporting period, Chengdu Yupei Shengbao Logistics Park provided a feedback about unstable electricity supply. After receiving such feedback, the park promptly conducted necessary inspection and ultimately figured out the problem lied with the aging of external wire network. Having well understood the situation, the park actively worked out possible solutions with electricity department. At the same time, temporary electricity generator was rented in case of emergency to enable our tenants to operate as usual. In the end, the logistics park invested huge sum of money to implement reconstruction project on external wire network so as to ensure stable electricity supply.

Case Sharing – Tenant's Recognition

The Group's outstanding professional services has earned us continued recognition from tenants. During the reporting period, the Group was rewarded Best Supplier for the Year 2017 by the Northeast Regional Branch of Jingdong Logistics and Jingdong Partner Award Ceremony.

Marketing and Advertising Management

We fully understand that integrity is the prerequisite of the long term development of the Group. We therefore strictly comply with national laws, regulations and other relevant provisions in the production and installation of advertising materials. In preparation of advertisement, we firmly comply with the Advertising Law of the PRC to avoid publishing false information, and present our service content, forms, quality, price, pledges and etc., in an accurate, clear and genuine manner. When it comes to advertisement design, we also fully adhere to the Copyright Law of PRC to prevent infringement of others' intellectual property rights. Regarding publication of advertisement, we fully conform to with the Regulations on the Administration of City Appearance and Sanitation to submit and get the necessary approval for the advertisement according to the laws.

CORPORATE GOVERNANCE

Supplier Management

While striving to achieve our goal of becoming the largest supplier of quality logistics facilities in China, we try to be a positive force to our supply chain by promoting sustainable development in an effort to create value to them.

We firmly believe that the suppliers' ethics and performance affect the quality of our services and may impact the Group's reputation. The Group strives to adopt the best environmental and social practices and expects our business partners to uphold the same philosophy in terms of integrity, fair treatment to employees, environmental protection and compliance with all applicable laws and regulations. Our Supplier Code of Conduct clearly states our requirements for business partners on aspects including environmental protection, occupational health and safety, ethics, laws and regulations, while suppliers are required to sign off to show their acceptance to adhere to the Code.

During the reporting period, major products and services provided by suppliers included (i) contracted construction service, (ii) materials for daily maintenance of the parks, and (iii) administrative supplies.

Contracting Construction Service

Qualified construction contractors must be selected through rigorous tendering process. The Group's Tendering Committee is responsible for conducting a preliminary review of all tenderers. They also conduct site visits to new tenderers and undertake research on their previous completed projects, making sure that only tenderers who meet the tender requirement would be selected. The Bidding Committee will then vote to determine the successful tenderers based on criteria including business and technology as clearly stated in the tender. We sign construction contract with successful tenderers after obtaining Construction Works Planning Permit, where the construction contract include major terms such as the scope of work, the use and supply of materials, construction schedule, fees and other payment terms, quality assurance and construction period requirements.

As construction activities involve contractors' workers, safety assurance is our first priority. We require all construction contractors to comply with the Law of the PRC on Work Safety and other applicable laws. During construction period, the contractor is required to take corresponding construction site safety measures at different stages of construction in accordance with the requirements of the protection policy and comply with the national labour safety and hygiene standards. All main contractors and subcontractors must comply with applicable safety measures and purchase accident injury insurance for construction workers. All the requirements above are expressly laid down in the contracts with the contractor. During the construction process, our engineering management department will closely manage and supervise the construction processes based on the terms and conditions of the contract. Upon project completion, we set up an Inter-Department Review Committee to conduct follow-up evaluation on the contractor, assessing its construction progress, quality, cost, etc., and to give them a rating. If the contractor fails to meet our expectation, we advise them to make improvement. We disqualify tenderers who are unable to make improvement and refrain them from participating any future tenders, to optimize the quality of our list of qualified contractors.

Case Sharing – Construction Workers' Health and Safety

The Group attaches great importance to construction safety. In the pre-project planning stage, we apply construction safety supervision registration at the safety supervision department. When actual construction activities take place, the Group appoints supervisors to carry out regular inspections on all aspects of construction work. Both general contractors and subcontractors are required to comply with the Construction Site Safety Management Policy, Safety Inspection Policy, Safety Technical Annotation Policy, Pre-Shift Safety Activities Policy, Safety Duties Policy, Safety Rewards and Punishment Implementation Details, Construction Electricity Management Responsibility Policy, Policy on Use of Electricity and Fire Prevention in Construction, Technical Annotation on Use of Electricity and Safety, Policy on Inspection and Maintenance on the Use of Electricity in Construction, Technical Annotation on Model of Installation and Removal Engineering and Safety, Requirements on the Stack of Model Materials during Construction, Protection Measure for the Use of Construction Machinery, Construction Machinery Inspection and Maintenance Policy, etc., adhering the principle of safety.

In order to ensure the safety and health of on-site construction workers, the Group requires the construction contractors to arrange duties and rest periods according to the law on the Contract of Construction to safeguard their rights to rest. We have safety protection to workers and adopt effective precautionary measures to prevent dust, reduce noise, control harmful gases and ensure workers' safety under extreme temperatures and when working in height according to national labour safety regulations. The Group requires contractor to provide necessary accommodations and living environment for the workers employed in the performance of the contract. They are required to take effective measures to prevent infection of diseases and carry out regular epidemic prevention, professional health and hygiene inspection and respective measures to construction sites, workers' living area and the project itself, to ensure the health of the construction workers.

Materials for Daily Maintenance of the Parks and Administrative Supplies

Materials for daily maintenance of the parks and administrative supplies are provided by qualified suppliers. The Group implements a strict supplier management system. The procurement department and the relevant departments conduct comprehensive assessment on suppliers' business qualification, production conditions, quality control system, after-sales service system and price reasonableness based on information verification and on-site investigation. Qualified suppliers are included in the List of Qualified Suppliers. Assessment by phase is implemented according to the Supplier Assessment System to realize dynamic management. When it comes to procurement, "three quotation" procedure is implemented, i.e., we invite at least three suppliers to provide quotation. Once selected, procurement agreement is signed to specify the rights and obligations of both parties. The Group conducts review on suppliers' performance and updates the List of Qualified Suppliers annually.

OPERATION WITH INTEGRITY

Confidential Requirement

Internal information relating to customers and the Group, such as customer information, documents of the park, company internal information, personal data of property management employees and etc., are all confidential. All employees are required to sign a confidentiality agreement upon commencement of their employment to prevent any unauthorized third party disclosure of confidential company information or other undisclosed business operation information, property information and etc.

Probity and Anti-corruption

The Group emphasizes business ethics and integrity. The Code of Conduct has outlined our expectation on employees' behaviour, accentuating our total intolerance to bribery, corruption, extortion, fraud, money laundering and other unethical behaviours. We required all employees to sign the Code of Conduct to ensure that they all abide by relevant laws and regulations as well as the Group's policy. While our employees are obliged to comply with disciplinary requirement, the Group also clearly conveys our requirements to suppliers and business partners, forbidding any kind of commercial bribery, corruption and misappropriation of company assets. In addition, the Group actively organizes training on the Code of Conduct, hoping that employees' behaviours could be further regulated in the aspects of anti-corruption, complying with the law and bearing social responsibility.

The Code of Conduct regulates corruption and bribery behaviours in the seven areas below:

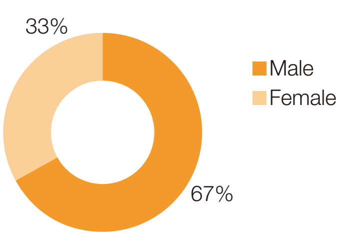
- Abuse of power and actions to damage the Group's property and interests are forbidden;
- Interests of the Group shall be consciously safeguarded;
- Relevant financial disciplines shall be followed;
- Business bribery shall be consciously resisted;
- Tendering rules shall be strictly enforced;
- Contract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

OUR TALENTS

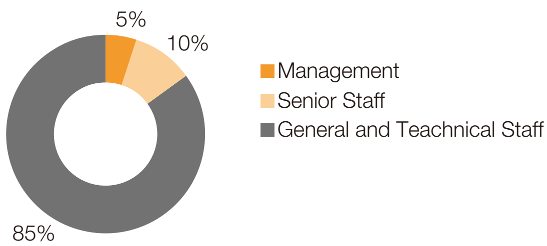
Talent Recruitment

We are committed to providing our staff with an ideal working environment and pursuing principles such as fairness and anti-discrimination, enabling our staff to develop and achieve self-growth in a diverse and equal working environment. We adopt an equal and fair human resources policy. Only the candidates' capabilities, working experience and qualifications would be our major recruitment considerations. Other factors such as gender, age, marital status, race, religion, nationality will not be considered in the list of assessment criteria. As at 31 December 2017, we employed a total of 155 staff members.

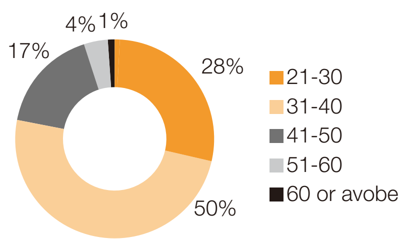
Employee Distribution by Gender



Employee Distribution by Category



Employee Distribution by Age



Salary and Benefit

We understand that our staff is the cornerstone of our business success and so we are committed to providing our employees with comprehensive benefits and protections. We strictly adhere to the Labor Law of the PRC and Labor Contract Law of the PRC to provide our staff with five insurances and one housing fund, including pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance and housing fund. We adopt the same performance assessment criteria to all employees to ascertain that employees receive equal opportunity for development. Details about salary, welfare, working hours and holidays are listed in the Staff Handbook.

We have established a WeChat platform as a bridge for communication between the Group and the employees, to allow them to be well informed about the Group's development and to enhance their sense of belonging. We strive to provide work-life-balance to our staff. We organize travelling trips more than once a year to foster communication and build better relationships. Ball games are also regularly organized to encourage sports among our staff. Gifts are distributed during festivals such as Dragon Boat Festival and Mid-autumn Festival. The Group organizes interim and annual meetings in the middle and at the end of the year respectively to summarize work progress. To reward outstanding staff, awards such as Outstanding Staff Awards, Special Contribution Award and The Best Team Award are presented in the meetings.

Dumpling making activities during Dragon Boat Festival

2017 Wenfeng Cup Putuo District Private Enterprise Badminton Invitation tournament

Labour Standards

We take a zero tolerance approach to workplace harassment and discrimination with complaint system in place to safeguard our staff. During the reporting period, we did not find any case of harassment and discrimination in the workplace.

We firmly set a reasonable standard of employment, putting an end to child labour and forced labour, in strict compliance with the labour law. The Group does not encourage our staff to work overtime. We have clearly stipulated that all overtime work requires prior approval, and should be offered compensation leave in a ratio of 1:1. During the reporting period, there is no reported case of child labour or forced labour.

Health and Safety

The health and safety of our staff is our top priority. The Group is committed to providing our staff with a safe and healthy working environment. The Group provides the staff with an annual body check every year to ensure that each of them has a sound physical condition. Cleaning and inspection will be conducted every 2-3 hours in office areas for the sake of the hygiene and comfortableness. We conduct training annually on fire prevention and safety. Explanation to our staff on fire cases studies, fire-fighting methods and the use of emergency tools is offered to enhance their knowledge of fire prevention.

Talent Training

We believe that continuous learning and development will help us to make continuous progress. We offer orientation training for new comers to introduce our company history, current status and relevant management requirement. Our staff development strategy includes internal and external training programs to enable employees to have all-round development, as well as to meet business needs of positions with different professional knowledge and skills.

Case Sharing – Yupei Business School

To boost cultivation of innovative talents and to build a professional learning team: First Batch of Yupei Business School Training was successfully held

The establishment of Yupei Business School is an important milestone in the development of the Group. The school is expected to train more outstanding talents, helping the management to make improvement in operation management. The course with the topic "Project Management" was given out by lecturer from the Group's human resources centre. To quickly train the participants on project management system thinking, the course is conducted in a combination of theoretical explanations and personal exercises. The trainer explained project management in simple terms, and talked about the management tools, actual technical skills, project communication management, team building, motivation of members and subcontracting decision-making skills. The trainees gradually mastered the knowledge and skills of project management, enhancing their capability in both theory and application, contributing to building a brilliant team.

COMMUNITY CONTRIBUTION

As a responsible corporate citizen, the Group has been adhering to its mission of "Serve the Public and Contribute to the Society". We believe that the growth and development of the community is an integral part of ours. Therefore, we keenly fulfil social responsibility on top of steady development of our business.

During the reporting period, the Firefly Paradise in Songling Unity Primary School, Wujiang District, Suzhou City, Jiangsu Province, founded jointly by the Group, the Shanghai Soong Ching Ling Foundation and The Bank of East Asia Charitable Foundation ("BEA Foundation"), was officially established. Songling Unity Primary School was a private migrant school and the multimedia learning facilities were relatively behind of the times in the past. Hence, the Firefly Project funded the establishment of the Firefly Paradise, which consists of desks and chairs, computers, projecting facilities as well as a library, significantly improving the teaching environment in information technology. While the Firefly Paradise officially came to operation, the Group and the BEA Foundation also donated 250 "Firefly 60 Packs", which contained stationery, books and other school supplies.

In addition, we are honored to receive the Platinum Award from the Community Chest of Hong Kong, which highly recognized our continuous attention to social welfare and charitable contribution.

INDUSTRY PARTICIPATION

This year, the Group has participated in the China Yiwu Logistics Fair. Yiwu, as a famous world-wide distribution centre for small commodities, has attracted the participation of domestic leading e-commerce and logistics enterprises. The guests were deeply impressed with the Group's services and development plan as one of the leading logistics facility suppliers in the nation.

The Group is committed to promoting the development of the industry and has been actively participating in industry organizations including:

- Mr. Li Shifa, Chairman, President and Founder of CNLP, was elected to be the Executive Director of the 5th committee of the China Federation of Logistics & Purchasing
- Being appointed as the Executive Director Unit of the China Federation of Logistics & Purchasing
- Being appointed as the Vice President Unit of China Electronic Commerce Logistic Enterprise

RECOGNITION AND REWARD

- Rewarded Best Supplier for the Year 2017 by the Northeast Regional Branch of Jingdong Logistics
- Rewarded Top 10 National-wide Logistics Property Enterprise 2016 by the China Association of Warehousing and Distribution
- Rewarded National Warehousing Industry Transformation and Upgrading Model Enterprises by the China Association of Warehousing and Distribution
- Rewarded 2017 China Excellent E-commerce Logistics Park Operators by the China E-commerce Industrial Alliance
- Rewarded the Platinum Award from the Community Chest of Hong Kong
- Jiaxing Yupei Logistics Park, Suzhou Yuqing Logistics Park, Wuxi Yupei Logistics Park and Suzhou Yupei Logistics Park were rewarded the highest 3-star China Green Warehouses Certificates

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Area	Chapter/ Explanation
A. Environmental	
Aspect A1: Emissions	
A1-General Disclosure	Our Environment
A-1.1	Our Environment
A-1.2	Our Environment
A-1.3	Our Environment
A-1.4	Our Environment
A-1.5	Our Environment
A-1.6	Our Environment
Aspect A2: Use of Resources	
A2-General Disclosure	Our Environment
A-2.1	Our Environment
A-2.2	Our Environment
A-2.3	Our Environment
A-2.4	Our Environment
A-2.5	Our Environment
Aspect A3: The Environmental and Natural Resources	
A3-General Disclosure	Our Environment
A-3.1	Our Environment
B. Social	
Aspect B1: Employment	
B1-General Disclosure	Our Talents
B-1.1	Talent Recruitment
B-1.2	This area is currently not reported.
Aspect B2: Health and Safety	
B2-General Disclosure	Logistics Park Safety and Security, Health and Safety
B-2.1	No reported case during the year.
B-2.2	No reported case during the year.
B-3	Logistics Park Safety and Security, Health and Safety
Aspect B3: Development and Training	
B3-General Disclosure	Talent Training
B-3.1	This area is currently not reported.
B-3.2	This area is currently not reported.
Aspect B4: Labour Standards	
B4-General Disclosure	Labour Standards
B-4.1	This area is currently not reported.
B-4.2	This area is currently not reported.
Aspect B5: Supply Chain Management	
B5-General Disclosure	Supplier Management
B-5.1	This area is currently not reported.
B-5.2	Supplier Management
Aspect B6: Product Responsibility	
B6-General Disclosure	Our Environment
B-6.1	This area is currently not reported.
B-6.2	This area is currently not reported.
B-6.3	Caring Customer Services.
B-6.4	Our Environment
B-6.5	Confidential Requirement
Aspect B7: Anti-corruption	
B7-General Disclosure	Probity and Anti-corruption
B-7.1	No reported case during the year
B-7.2	Probity and Anti-corruption
Aspect B8: Community Investment	
B8-General Disclosure	Community Contribution
B-8.1	Community Contribution
B-8.2	This area is currently not reported.

Independent Auditor's Report

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD

(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Logistics Property Holdings Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 204, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to Note 3.3 Fair value estimation, Note 4 Critical accounting estimates and judgments and Note 7 Investment properties to the consolidated financial statements. Investment properties are initially measured at cost, and are carried subsequently at fair value, representing their fair values determined at each reporting date. The Group's investment properties were carried at fair value at RMB14,792.00 million as at 31 December 2017 and a related net fair value gain of RMB865.33 million was accounted for under "Fair value gains on investment properties — net" in the Group's consolidated statements of comprehensive income. The Group has engaged an external valuer to assess the fair values of the investment properties. The appraised value is determined by using the applicable valuation methods and involved key estimates and assumptions, including: future rental cash inflows (which is mainly based on existing contractual rents, market rents and rental growth rates), capitalization rates, discount rates and term/reversionary yields, and for those properties which are vacant land or under construction as of the reporting date, the developer's profit margin, expected completion dates and the costs to complete the construction. We focused on this area as the fair values and the net fair value gains of the investment properties are significant to the financial statements and the valuation of the investment properties was highly dependent on significant judgement on key estimates and assumptions involved in the valuations.	Our procedures in relation to management's assessment of the fair values of the investment properties included: (1) we assessed the competence, capabilities, and independence of the external valuer; (2) we obtained the valuation reports for all properties, discussed and queried the adoption of the valuation methodologies and techniques with the external valuer. We assessed the valuation methodologies used in the valuations by comparing to the applicable professional valuation standards and market practice, with the assistance from our internal valuation specialists; (3) we checked the key underlying data used in the valuation models, such as contractual rents and leasehold land and construction costs, on a sampling basis, to the relevant supporting documents; (4) we assessed the key assumptions used in the valuation models, with assistance from our internal valuation specialists, by performing the following procedures: • market rents, by benchmarking against market available data from similar properties; • rental growth rates, by comparing to the external evidence such as economic and industry forecasts; • capitalization rates, term / reversionary yields, the developer's profit margin and discount rates, by benchmarking against market available data; and • estimated costs to complete and completion dates, by comparing to the project plans and related construction budgets developed and approved by management; we also compared the actual costs of the newly completed properties to their budget costs to assess the reliability of the budgets. Based on the work performed, we found the use of the valuation methodologies and techniques was acceptable, and the estimates and assumptions used in determining the fair values of the investment properties for the purpose of the financial statements were supported by the evidences we gathered.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2018

Consolidated Balance Sheet

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**132,661**	6,620
Investment properties	7	**14,792,000**	12,839,000
Intangible assets		**79**	107
Investment accounted for using the equity method	8	**446,229**	184,967
Available-for-sale financial assets	12	**55,541**	—
Long-term trade receivables	10(a)	**15,146**	19,412
Other long-term prepayments	10(b)	**506,982**	397,576
Restricted cash	13	**102,802**	—
		16,051,440	13,447,682
Current assets			
Trade and other receivables	11(a)	**80,085**	36,553
Prepayments	11(b)	**118,470**	13,070
Available-for-sale financial assets	12	**269,937**	76,119
Cash and cash equivalents	13	**1,820,537**	1,957,704
Restricted cash	13	**1,303**	9,555
		2,290,332	2,093,001
Total assets		**18,341,772**	15,540,683
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium	14	**5,724,612**	5,760,728
Other reserves	16	**164,578**	166,842
Retained earnings	15	**3,436,564**	2,551,522
Total equity		**9,325,754**	8,479,092

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	**5,559,507**	4,632,592
Long-term payables	20	**54,064**	27,612
Deferred income tax liabilities	9	**1,521,506**	1,358,750
		7,135,077	6,018,954
Current liabilities			
Trade and other payables	21	**626,822**	422,437
Current income tax liabilities		**49,961**	16,346
Borrowings	18	**1,204,158**	603,854
		1,880,941	1,042,637
Total liabilities		**9,016,018**	7,061,591
Total equity and liabilities		**18,341,772**	15,540,683

The notes on pages 112 to 204 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 104 to 204 were approved by the board of directors on 26 March 2018 and the consolidated balance sheet was signed on its behalf by:

Li Shifa

Pan Naiyue

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	22	**403,900**	270,861
Cost of sales	25	**(128,248)**	(88,881)
Gross profit		**275,652**	181,980
Selling and marketing expenses	25	**(26,838)**	(19,877)
Administrative expenses	25	**(88,168)**	(93,246)
Other income	23	**57,800**	25,932
Fair value gains on investment properties — net	7	**865,330**	1,102,592
Fair value losses on hybrid instruments — net		**—**	(114,697)
Other gains — net	24	**108,606**	797
Operating profit		**1,192,382**	1,083,481
Finance income	27	**96,561**	7,529
Finance expenses	27	**(323,266)**	(134,299)
Finance expenses — net	27	**(226,705)**	(126,770)
Share of profit of investment accounted for using the equity method	8	**261,262**	76,502
Profit before income tax		**1,226,939**	1,033,213
Income tax expense	28	**(341,139)**	(312,735)
Profit for the year attributable to the owners of the Company	15	**885,800**	720,478

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets	16	**(13,526)**	10,938
Gains transferred to the consolidated statement of comprehensive income	16	**(439)**	(7,466)
Currency translation differences		**531**	(355)
		(13,434)	3,117
Other comprehensive income for the year, net of tax		**(13,434)**	3,117
Total comprehensive income for the year attributable to the owners of the Company		**872,366**	723,595
Earnings per share (expressed in RMB)			
— Basic	29	**0.3024**	0.4032
— Diluted	29	**0.3019**	0.4027
Dividends	30	**—**	—

The notes on pages 112 to 204 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company				
	Share capital and premium RMB'000 (Note 14)	Treasury shares RMB'000	Other reserves RMB'000 (Note 16)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	310	—	152,777	1,831,347	1,984,434
Comprehensive income					
Profit for the year	—	—	—	720,478	720,478
Other comprehensive income					
Change in value of available-for-sale financial assets (Note 12, 16)	—	—	10,938	—	10,938
Gains transferred to the consolidated statement of comprehensive income (Note 16, 24)	—	—	(7,466)	—	(7,466)
Currency translation differences	—	—	(355)	—	(355)
	—	—	3,117	—	3,117
Total comprehensive income	—	—	3,117	720,478	723,595
Transactions with equity owners in their capacity as equity owners					
Issuance of ordinary shares (Note 14)	2,896,692	—	—	—	2,896,692
Conversion of hybrid instruments (Note 14)	2,863,726	—	—	—	2,863,726
Employees share option scheme — Value of employee services (Notes 16, 17)	—	—	10,645	—	10,645
Profit appropriation to statutory reserves	—	—	303	(303)	—
Total transactions with equity owners in their capacity as equity owners	5,760,418	—	10,948	(303)	5,771,063
Balance at 31 December 2016	5,760,728	—	166,842	2,551,522	8,479,092

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company				
	Share capital and premium RMB'000 (Note 14)	Treasury shares RMB'000	Other reserves RMB'000 (Note 16)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	5,760,728	—	166,842	2,551,522	8,479,092
Comprehensive income					
Profit for the year	—	—	—	885,800	885,800
Other comprehensive income					
Change in value of available-for-sale financial assets (Note 12, 16)	—	—	(13,526)	—	(13,526)
Gains transferred to the consolidated statement of comprehensive income (Note 16, 24)	—	—	(439)	—	(439)
Currency translation differences	—	—	531	—	531
	—	—	(13,434)	—	(13,434)
Total comprehensive income	—	—	(13,434)	885,800	872,366
Transactions with equity owners in their capacity as equity owners					
Repurchase of shares (Note 14)	—	(36,116)	—	—	(36,116)
Cancellation of shares (Note 14)	(36,116)	36,116	—	—	—
Employees share option scheme — Value of employee services (Notes 16, 17)	—	—	10,412	—	10,412
Profit appropriation to statutory reserves	—	—	758	(758)	—
Total transactions with equity owners in their capacity as equity owners	(36,116)	—	11,170	(758)	(25,704)
Balance at 31 December 2017	5,724,612	—	164,578	3,436,564	9,325,754

The notes on pages 112 to 204 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**219,490**	136,377
Interest received		**7,920**	7,494
Income tax paid		**(18,184)**	(7,244)
Net cash generated from operating activities		**209,226**	136,627
Cash flows from investing activities			
Payment of consideration of business combination of Suzhou Yuqing Warehousing Co., Ltd. ("Suzhou Yuqing")		**—**	(373)
Acquisition of property, plant and equipment	6	**(113,571)**	(3,186)
Additions of investment properties		**(2,053,478)**	(2,299,146)
Proceeds from disposal of property, plant and equipment		**286**	—
Proceeds from disposal of auxiliary facilities of investment properties		**—**	17
Proceeds from disposal of subsidiaries	24	**886,206**	—
Purchases of available-for-sale financial assets	12	**(335,971)**	(269,221)
Proceeds from disposal of available-for-sale financial assets	12	**73,086**	204,040
Proceeds from disposal of derivative financial instruments		**566**	—
Increase in restricted cash	13	**(94,550)**	(8,755)
Receipt of government grants	19	**56,056**	21,317
Net cash used in investing activities		**(1,581,370)**	(2,355,307)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	14	**—**	3,063,376
Payment of underwriting commission fees and other listing expenses		**(4,485)**	(163,910)
Payment of commission fees and other expenses related to issuance of senior notes	31(b)	**(33,288)**	—
Proceeds from borrowings	31(b)	**3,070,713**	8,045,089
Repayments of borrowings	31(b)	**(1,411,753)**	(4,446,149)
Redemption and repayment of hybrid instruments		**—**	(2,937,982)
Payment of interest of hybrid instruments		**—**	(42,761)

		Year ended 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
Payment of interest expenses	31(b)	**(335,265)**	(163,512)
Decrease in amounts due to related parties	34(a)		(12,300)
Repurchase of ordinary shares	14	**(36,116)**	—
Net cash generated from financing activities		**1,249,806**	3,341,851
Net (decrease)/increase in cash and cash equivalents		**(122,338)**	1,123,171
Cash and cash equivalents at beginning of year		**1,957,704**	820,773
Exchange (losses)/gains on cash and cash equivalents		**(14,829)**	13,760
Cash and cash equivalents at end of year	13	**1,820,537**	1,957,704

The notes on pages 112 to 204 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information of the Group

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

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 15 July 2016 (the "Listing"). An aggregate of 1,035,707,000 shares of the Company were issued at a price of Hong Kong Dollar ("HK$")3.25 by way of global offering. On 10 August 2016, an aggregate of additional 58,695,000 shares of the Company were issued at a price of HK$3.25 pursuant to the exercise of over-allotment option.

Before the Listing, Mr. Li Shifa ("Mr. Li") and Ms. Ma Xiaocui ("Ms. Ma") (the spouse of Mr. Li) were the ultimate controlling shareholders of the Group. After the Listing, they became the substantial shareholders of the Group.

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 26 March 2018.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

- Amendments to IAS 7 "Statement of cashflows"

The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is effective for financial years beginning on or after 1 January 2017.

The adoption of the above amendments did not have any impact on the current period or any prior periods and is not likely to affect future periods.

(b) Standards, amendments and interpretations to existing standards effective in 2017 but not relevant to the Group

Standards		Effective for annual periods beginning on or after
IAS 12 (Amendments)	Income taxes	1 January 2017
IFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

Standards		Effective for annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018 (i)
IFRS 15	Revenue from contracts with customers	1 January 2018 (ii)
IFRS 2 (Amendment)	Share — based payment	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IAS 40 (Amendments)	Investment property	1 January 2018
IFRS 16	Leases	1 January 2019 (iii)
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

(i) IFRS 9 "Financial Instruments"

Nature of change

IFRS 9 "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

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

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group does not have debt instrument classified as held-to-maturity and measured at amortised cost and equity investment measured at fair value through profit or loss. The Group's equity investments currently classified as available-for-sale will be reclassified to financial assets at fair value through profit or loss under IFRS 9 because they are limited life entities. Related fair value losses of RMB10,493,000 will be transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities as at 31 December 2017. The accounting for other financial liabilities has not been changed. The derecognition rules have been transferred from IAS 39 "Financial Instruments: recognition and measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. There will be no impact on the Group's consolidated financial statements, as the Group has not undertaken any hedging transactions.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 "Revenue from contracts with customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

IFRS 9 is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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

Nature of change

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The Group engaged in the leasing of storage facilities and the provision of related management services. The Group didn't introduce any customer loyalty programme which is likely to be affected by IFRS 15. Besides, the Group already capitalized most of costs incurred in fulfilling a lease contract on the consolidated balance sheet thus there is no change of the accounting under IFRS 15 in this regard.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

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

Impact (continued)

Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that will be affected:

- revenue from service — the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue, and

- presentation of contract assets and contract liabilities in the balance sheet — IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to contract liabilities which are currently included in other balance sheet line items.

Date of adoption by Group

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(iii) IFRS 16 "Leases"

Nature of change

IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB20,799,000. The Group estimates that all of these relate to payments for short-term and low value leases which will be recognized on a straight-line basis as an expense in profit or loss.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

(iii) IFRS 16 "Leases" (continued)

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

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

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

(c) Group companies

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

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

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

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

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

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

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

— Vehicles and machineries	5–10 years
— Furniture, fittings and equipments	5 years
— Leasehold improvement	5–30 years

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

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

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

2.7 Investment properties

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

2.8 Intangible assets

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

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the follow categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables", "Cash and cash equivalents" and "Restricted cash" in the consolidated balance sheet (Notes 2.14 and 2.15).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

Changes in the fair value of equity investments classified as available for sale are recognized in OCI.

When equity investments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income as "Other gains — net".

2.11 Offsetting financial instruments

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

2.12 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 Summary of significant accounting policies (continued)

2.12 Impairment of financial assets (continued)

(a) Assets carried at amortized cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is reclassified from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2.13 Derivative financial instruments

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

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

2.14 Trade and other receivables

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

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. See Note 2.10 for further information about the Group's accounting for trade receivables and Note 2.12 for a description of the Group's impairment policies.

2 Summary of significant accounting policies (continued)

2.15 Cash and cash equivalents

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

2.16 Share capital

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

2.17 Trade payables

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

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

2.18 Borrowings

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

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

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

2 Summary of significant accounting policies (continued)

2.19 Borrowing costs

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

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

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

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

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

2.20 Current and deferred income tax

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

(a) Current income tax

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

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(c) Offsetting

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

2.21 Employee benefits

(a) Pension obligations

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

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

(b) Termination benefits

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

(c) Employee leave entitlements

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

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

2 Summary of significant accounting policies (continued)

2.22 Government grants

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

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

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

2.23 Share-based payments

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service supplied, stated net of discounts and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Rental income and revenue from providing management services

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

The Group provides property management services to customers. Revenue derived from sales of services is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

2.25 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.26 Leases

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

2.27 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

Exposure

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

	31 December 2017		31 December 2016	
	US$ denominated RMB'000	**HK$ denominated RMB'000**	US$ denominated RMB'000	HK$ denominated RMB'000
Cash and cash equivalents	**1,529,607**	**4,312**	877,136	25,455
Available-for-sale financial assets	**317,137**	**8,341**	—	—
Borrowings	**(3,219,278)**	**—**	(2,040,344)	—

Sensitivity

At 31 December 2017, if RMB had weakened/strengthened by 5% against US$ and HK$ with all other variables held constant, the Group's profit before tax for the year ended 31 December 2017 would have been decreased/increased by approximately RMB84,268,000 (2016: RMB56,888,000), mainly as a result of foreign exchange losses/gains on translation of US$ and HK$ denominated cash and cash equivalents, and US$ denominated borrowings. Profit is more sensitive to movement in RMB/US$ exchange rates in 2017 than 2016 because of the increased amount of US$ denominated borrowings. Similarly, the Group's equity would have been decreased/increased by approximately RMB67,994,000 (2016: RMB53,082,000) due to the combination the increased amount of US$ denominated borrowings and available-for-sale financial assets.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

At 31 December 2017, 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 2017 would have been decreased/increased by approximately RMB16,029,000 (2016: RMB15,731,000).

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, trade and other receivables and available-for-sale financial assets. 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 2017, most of the cash and cash equivalents and restricted cash are placed with major financial institutions in mainland China and Hong Kong.

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

The Group enters into the financial products contracts with relatively higher interest rates with certain financial institution in mainland China. As at 31 December 2017, these are reflected as available-for-sale financial assets on the consolidated balance sheet. Management has exercised due care when make investment decision with focus only on low risk financial products with principal being guaranteed.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts tabulated below are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Borrowings and interest	**1,625,567**	**1,602,590**	**3,765,778**	**986,648**	**7,980,583**
Trade and other payables	**530,068**	**—**	**—**	**—**	**530,068**
Long-term payables	**—**	**12,419**	**41,039**	**606**	**54,064**
	2,155,635	**1,615,009**	**3,806,817**	**987,254**	**8,564,715**
At 31 December 2016					
Borrowings and interest	997,779	890,029	3,673,043	924,703	6,485,554
Trade and other payables	356,532	—	—	—	356,532
Long-term payables	—	19,361	7,645	606	27,612
	1,354,311	909,390	3,680,688	925,309	6,869,698

3 Financial risk management (continued)

3.2 Capital management

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

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

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

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total borrowings (Note 18)	**6,763,665**	5,236,446
Less: cash and cash equivalents (Note 13)	**(1,820,537)**	(1,957,704)
restricted cash (Note 13)	**(104,105)**	(9,555)
Net debt	**4,839,023**	3,269,187
Total equity	**9,325,754**	8,479,092
Total capital	**14,164,777**	11,748,279
Gearing ratio	**34.2%**	27.8%

The fluctuation of gearing ratio during the reporting period is a result of draw-down/repayment of borrowings from banks and other financial institutions, and issuance of senior notes.

3 Financial risk management (continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets that are measured at fair value at 31 December 2017 and 2016.

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

As at 31 December 2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	76,119	76,119
Investment properties	–	–	12,839,000	12,839,000
	–	–	12,915,119	12,915,119

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

3 Financial risk management (continued)

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

Investment Properties

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

Available-for-sale financial assets

See Note 12 for disclosures of the available-for-sale financial assets that are measured at fair value.

3.5 Financial instruments by category

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

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

3 Financial risk management (continued)

3.5 Financial instruments by category (continued)

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2016			
Assets as per balance sheet			
Available-for-sale financial assets	—	76,119	76,119
Trade and other receivables	36,553	—	36,553
Cash and cash equivalents	1,957,704	—	1,957,704
Restricted cash	9,555	—	9,555
Long-term trade receivables	19,412	—	19,412
	2,023,224	76,119	2,099,343

	Financial liabilities at amortized cost RMB'000
31 December 2016	
Liabilities as per balance sheet	
Borrowings	5,236,446
Trade and other payables excluding non-financial liabilities	356,532
Long-term payables	27,612
	5,620,590

4 Critical accounting estimates and judgments

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

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

(a) Fair value of investment properties

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

(b) Current and deferred income taxes

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

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

5 Segment information

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. The Group's project subsidiaries ("Project Companies") established in different locations in the PRC engage in business activities from which they earn revenues and incur expenses, and have discrete financial information. Therefore these Project Companies are identified as different operating segments of the Group. Nevertheless, these Project Companies have been aggregated into one operating segment, taking into consideration the below factors: the Project Companies have similar economic characteristics and regulatory environment, with all revenue and operating profits from the same business of leasing 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 operating 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 30.3% of the Group's total revenue for the year ended 31 December 2017 (2016: customer A represented 31.2%).

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 2016				
Opening net book amount	1,299	3,600	—	4,899
Additions	150	3,036	—	3,186
Depreciation charge (Note 25)	(285)	(1,180)	—	(1,465)
Closing net book amount	1,164	5,456	—	6,620
At 31 December 2016				
Cost	2,927	7,685	—	10,612
Accumulated depreciation	(1,763)	(2,229)	—	(3,992)
Net book amount	1,164	5,456	—	6,620
Year ended 31 December 2017				
Opening net book amount	**1,164**	**5,456**	**—**	**6,620**
Additions	**363**	**2,546**	**125,220**	**128,129**
Disposals	**(91)**	**(65)**	**—**	**(156)**
Depreciation charge (Note 25)	**(397)**	**(1,535)**	**—**	**(1,932)**
Closing net book amount	**1,039**	**6,402**	**125,220**	**132,661**
At 31 December 2017				
Cost	**2,165**	**10,066**	**125,220**	**137,451**
Accumulated depreciation	**(1,126)**	**(3,664)**	**—**	**(4,790)**
Net book amount	**1,039**	**6,402**	**125,220**	**132,661**

7 Investment properties

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At fair value		
At beginning of the year	**12,839,000**	9,709,000
Capitalized subsequent expenditure on completed investment properties	**29,434**	9,334
Capitalized expenditure on investment properties under construction	**1,963,236**	2,019,440
Disposal of subsidiaries (Note 24)	**(905,000)**	—
Disposal of auxiliary facilities	**—**	(1,366)
Net gains from fair value adjustment	**865,330**	1,102,592
At end of the year	**14,792,000**	12,839,000

During the year ended 31 December 2017, the Group has capitalized borrowing costs amounting to RMB119,961,000 (2016: RMB125,015,000) on investment properties under construction (Note 27). Borrowing costs were capitalized at the weighted average rate of its general borrowings of 7.7% (2016: 7.2%).

At 31 December 2017, investment properties of the Group with a total fair value amounting to RMB12,110,000,000 (2016: RMB11,327,000,000) were pledged as collateral mortgaged for bank borrowings (Note 18).

As at this report date, the title certificates of certain investment properties with a total fair value of RMB1,489,000,000 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 2017 and 2016. The revaluation gains or losses are included in "Fair value gains on investment properties — net" in the consolidated statement of comprehensive income.

7 Investment properties (continued)

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

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

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

	Fair value measurements at 31 December 2017 using			
Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurements				
Investment properties:				
— Logistics facilities — completed	—	—	11,532,000	11,532,000
— Logistics facilities — under construction	—	—	1,833,000	1,833,000
— Logistics facilities — leasehold land held for future development	—	—	1,427,000	1,427,000
	—	—	14,792,000	14,792,000

7 Investment properties (continued)

Description	Fair value measurements at 31 December 2016 using Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurements				
Investment properties:				
— Logistics facilities — completed	—	—	10,187,000	10,187,000
— Logistics facilities — under construction	—	—	969,000	969,000
— Logistics facilities — leasehold land held for future development	—	—	1,683,000	1,683,000
	—	—	12,839,000	12,839,000

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

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

7 Investment properties (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**12,839,000**	9,709,000
Additions — others	**1,992,670**	2,028,774
Disposal of subsidiaries (Note 24)	**(905,000)**	—
Disposal of auxiliary facilities	**—**	(1,366)
Net gains from fair value adjustment	**865,330**	1,102,592
At end of the year	**14,792,000**	12,839,000
Total gains or losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year, under "Fair value gains on investment properties – net"	**865,330**	1,102,592
Change in unrealized gains or losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year	**865,330**	1,102,592

7 Investment properties (continued)

Valuation processes of the Group

The fair values of the Group's investment properties at 31 December 2017 and 2016 were based on valuations performed by independent professional valuer — Colliers, who holds recognized relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to Senior Vice President of finance department. Discussions of valuation processes and results are held between Senior Vice President of finance department, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2017 and 2016, the fair values of the properties have been derived by Colliers.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;

- Assesses property valuations movements when compared to the prior year valuation report; and

- Holds discussions with the independent valuer.

7 Investment properties (continued)

Valuation techniques

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

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

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

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

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

7 Investment properties (continued)

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

Description	Fair value at 31 December 2017 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — completed	11,532,000	DCF Method/T&R Analysis	Market rent	RMB17 — RMB41 per month per square meter (RMB29 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	7.75% — 9.25% (8.5%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5.0% — 7.1% (6.05%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.5% — 7.3% (6.40%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5% — 6.5% (5.75%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4% — 5% (4.5%)	The higher the terminal rent growth rate, the higher the fair value and vice versa
Logistics facilities — under construction	1,833,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB23 — RMB31 per month per square meter (RMB27 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.5% — 9% (8.75%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	6.6% — 7.1% (6.85%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.75% — 6.25% (6%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%	The higher the rent growth rate, the higher the fair value and vice versa

7 Investment properties (continued)

Description	Fair value at 31 December 2017 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities – leasehold land held for future development	1,427,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Estimated costs to complete	RMB36,900,000 – RMB316,500,000	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5% – 10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa
			Market rent	RMB22 – RMB39 per month per square meter (RMB31 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8% – 9% (8.5%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	6.15% – 7.1% (6.63%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.5% – 6.25% (5.88%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4% – 5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB138,200,000 – RMB539,800,000	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5% – 10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

7 Investment properties (continued)

Description	Fair value at 31 December 2016 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Logistics facilities — completed	10,187,000	DCF Method/T&R Analysis	Market rent	RMB17 — RMB41 per month per square meter (RMB29 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.00% — 9.25% (8.63%)	The higher the discount rate, the lower the fair value and vice versa
			Term yield	5.2% — 7.1% (6.15%)	The higher the term yield, the lower the fair value and vice versa
			Reversionary yield	5.7% — 7.3% (6.5%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5% — 6.5% (5.75%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4% — 5% (4.5%)	The higher the terminal rent growth rate, the higher the fair value and vice versa
Logistics facilities — under construction	969,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB22 — RMB27 per month per square meter (RMB24 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8.5% — 9% (8.75%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary yield	6.6% — 7.1% (6.85%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.75% — 6.25% (6%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4%	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB13,000,000 — RMB282,200,000	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5% — 10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

7 Investment properties (continued)

Description	Fair value at 31 December 2016 (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	1,683,000	DCF Method/ T&R Analysis with consideration of outstanding costs of development	Market rent	RMB22 — RMB36 per month per square meter (RMB29 per month per square meter)	The higher the market rent, the higher the fair value and vice versa
			Discount rate	8% — 8.75% (8.38%)	The higher the discount rate, the lower the fair value and vice versa
			Reversionary Yield	6.15% — 6.85% (6.5%)	The higher the reversionary yield, the lower the fair value and vice versa
			Terminal capitalization rate	5.5% — 6% (5.75%)	The higher the capitalization rate, the lower the fair value and vice versa
			Terminal rental growth rate	4% — 5% (4.5%)	The higher the rent growth rate, the higher the fair value and vice versa
			Estimated costs to complete	RMB137,000,000 — RMB754,000,000	The higher the estimated costs, the lower the fair value and vice versa
			Estimated developer's profit margin	5% — 10% (7.5%)	The higher the estimated profit margin, the lower the fair value and vice versa

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

8 Investment accounted for using the equity method

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	**184,967**	108,465
Share of post-tax profits of associates	**261,262**	76,502
End of the year	**446,229**	184,967

Investment in an associate

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

Nature of investment in an associate as at 31 December 2017:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Shanghai Hongyu Logistics Co., Ltd. ("Shanghai Hongyu")	Shanghai/PRC	41%	Associate	Equity

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

There were no contingent liabilities relating to the Group's interest in its associates as at 31 December 2017 and 2016.

Summarized financial information for an associate

Set out below is summarized financial information as at 31 December 2017 and for the year of 2017 for Shanghai Hongyu, which is accounted for using the equity method.

8 Investment accounted for using the equity method (continued)

Summarized balance sheet

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Current		
Cash and cash equivalents	**21,987**	71,920
Trade and other receivables	**99,388**	14,124
Prepayments	**17,632**	3,171
Total current assets	**139,007**	89,215
Trade and other payables	**(93,726)**	(77,535)
Borrowings	**(24,000)**	(150,000)
Total current liabilities	**(117,726)**	(227,535)
Non-current		
Investment properties	**1,973,000**	924,000
Property, plant and equipment	**305**	470
Total non-current assets	**1,973,305**	924,470
Borrowings	**(624,366)**	(258,908)
Deferred income tax liabilities	**(281,856)**	(76,102)
Total non-current liabilities	**(906,222)**	(335,010)
Net assets	**1,088,364**	451,140

8 Investment accounted for using the equity method (continued)

Summarized statement of comprehensive income

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	23,195	—
Cost of sales	(558)	—
Finance income	614	53
Other expenses	(3,308)	(1,441)
Other gains — net	19	30
Fair value gains on investment properties — net	823,016	250,600
Profit before income tax	842,978	249,242
Income tax expense	(205,754)	(62,650)
Post-tax profit for the year	637,224	186,592
Other comprehensive income	—	—
Total comprehensive income for the year	637,224	186,592

Reconciliation of summarized financial information

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Net assets at beginning of the year	451,140	264,548
Profit for the year	637,224	186,592
Net assets at end of the year	1,088,364	451,140
Interest in associate (41%)	446,229	184,967
Carrying value	446,229	184,967

9 Deferred income tax

The analysis of deferred tax liabilities is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	**(1,521,017)**	(1,358,148)
— Deferred tax liability to be recovered within 12 months	**(489)**	(602)
	(1,521,506)	(1,358,750)

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**(1,358,750)**	(990,101)
Charged to the consolidated statement of comprehensive income (Note 28)	**(289,340)**	(307,948)
Decrease of hybrid instruments	**—**	(60,701)
Disposal of subsidiaries (Note 24)	**126,584**	—
At end of the year	**(1,521,506)**	(1,358,750)

9 Deferred income tax (continued)

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

Deferred tax assets	Share-based payment RMB'000	Tax losses RMB'000	Fair value losses on hybrid instruments RMB'000	Total RMB'000
At 1 January 2016	—	17,209	60,701	77,910
Credited to the consolidated statement of comprehensive income (Note 28)	2,661	38,716	—	41,377
Decrease of hybrid instruments	—	—	(60,701)	(60,701)
At 31 December 2016	2,661	55,925	—	58,586
At 1 January 2017	**2,661**	**55,925**	**—**	**58,586**
Credited/(charged) to the consolidated statement of comprehensive income (Note 28)	**2,603**	**(1,189)**	**—**	**1,414**
At 31 December 2017	**5,264**	**54,736**	**—**	**60,000**

9 Deferred income tax (continued)

Deferred tax liabilities	Government grant	Leasing income on straight-lined basis	Fair value gains on investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	(18,847)	(3,911)	(1,045,253)	(1,068,011)
Charged to the consolidated statement of comprehensive income (Note 28)	—	(942)	(348,383)	(349,325)
At 31 December 2016	(18,847)	(4,853)	(1,393,636)	(1,417,336)
At 1 January 2017	**(18,847)**	**(4,853)**	**(1,393,636)**	**(1,417,336)**
Charged to the consolidated statement of comprehensive income (Note 28)	**—**	**625**	**(291,379)**	**(290,754)**
Disposal of subsidiaries (Note 24)	**—**	**—**	**126,584**	**126,584**
At 31 December 2017	**(18,847)**	**(4,228)**	**(1,558,431)**	**(1,581,506)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB56,603,000 (2016: RMB30,304,000) in respect of losses amounting to RMB226,409,000 (2016: RMB121,217,000) that can be carried forward against future taxable income. Losses amounting to RMB743,000 (2016: RMB234,000), RMB12,995,000 (2016: RMB8,219,000), RMB49,071,000 (2016: RMB42,263,000), RMB92,282,000 (2016: RMB69,952,000) and RMB71,318,000 (2016: Nil) will expire in 2018, 2019, 2020, 2021 and 2022, respectively.

The Group did not recognize deferred tax liability on accumulated undistributed profit of its subsidiaries as at 31 December 2017 and 2016, because the subsidiaries do not intend to distribute dividend in foreseeable future.

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

(a) Long-term trade receivables

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Rental income receivables	**15,146**	19,412

(b) Other long-term prepayments

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Prepayment for construction costs	**340,457**	119,585
Prepayment for land use rights (i)	**138,873**	257,782
Long-term prepaid expenses	**27,652**	20,209
	506,982	397,576

(i) Prepayments for acquisition of land use rights are related to acquisition of leasehold land for property development and then for lease purposes, of which the ownership certificates have not been obtained yet as at the balance sheet dates.

11 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables		
Rental income receivables (i)	**7,450**	6,044
Other receivables		
Other receivables for land use rights and other deposits	**67,460**	30,388
Other receivables due from other third parties	**175**	118
Other receivables due from related parties (Note 34)	**5,000**	3
	72,635	30,509
	80,085	36,553

(i) As at 31 December 2017, trade receivables of RMB1,380,000 were pledged as collateral for the bank borrowings (2016: Nil) (Note 18).

As at 31 December 2017 and 31 December 2016, the fair value of the current portion of trade and other receivables of the Group approximated their carrying amounts.

As at 31 December 2017 and 31 December 2016, all the carrying amounts of trade and other receivables were denominated in RMB.

11 Trade and other receivables and prepayments (continued)

(a) Trade and other receivables (continued)

As at 31 December 2017 and 2016, 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	
	2017	2016
	RMB'000	RMB'000
Up to 30 days	**6,122**	4,158
31 to 90 days	**1,328**	863
91 to 365 days	**—**	1,023
	7,450	6,044

As at 31 December 2017 and 2016, all trade receivables were past due but not impaired. These relate to a number of third-party customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts are considered recoverable. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Past due — within 90 days	**7,450**	5,021
— from 91 to 365 days	**—**	1,023
	7,450	6,044

The other classes within trade and other receivables do not contain impaired assets.

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.

11 Trade and other receivables and prepayments (continued)

(a) Trade and other receivables (continued)

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
As at 1 January	**–**	–
Provision for impairment of receivables (Note 25)	**572**	–
Receivables written off	**(572)**	–
As at 31 December	**–**	–

(b) Prepayments

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Prepaid taxes / taxes to be deducted	**102,476**	7,433
Prepayments for utilities	**15,994**	5,637
	118,470	13,070

12 Available-for-sale financial assets

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Current	**269,937**	76,119
Non-current	**55,541**	—
	325,478	76,119
At beginning of the year	**76,119**	—
Additions	**335,971**	269,221
Settlements	**(73,086)**	(204,040)
Net fair value changes recognized in equity (Note 16)	**(13,526)**	10,938
At end of the year	**325,478**	76,119

As at 31 December 2017, available-for-sale financial assets are HK$ denominated financial product with principal amount of HK$10,000,000 and USD$ denominated financial product with principal amount of USD$48,500,000 and expected yield rate of 2%-4% per annum. The maturity dates of HK$10,000,000 (equivalent to RMB8,679,000) and USD$40,000,000 (equivalent to RMB269,476,000) are within 1 year. The maturity date of USD$8,500,000 (equivalent to RMB57,816,000) is beyond 1 year. The assets are neither past due nor impaired. The fair value of the assets is based on DCF approach and main input used by the Group is the expected yield rate provided by the counterparty. The fair value is within level 3 of the fair value hierarchy.

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

Description	Fair value at 31 December 2017 RMB'000	Valuation technique	Unobservable inputs	Projected rate
Available-for-sale	**325,478**	DCF	Expected yield rate	2% — 4%

13 Cash and cash equivalents and restricted cash

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Cash at bank and on hand	**1,924,642**	1,967,259
Less: Restricted cash		
— Current (i)	**(1,303)**	(9,555)
— Non-current (ii)	**(102,802)**	—
Cash and cash equivalents	**1,820,537**	1,957,704

(i) As at 31 December 2017, restricted deposits of RMB1,303,000 (2016: RMB818,000) were held at bank for issuing letter of guarantee. As at 31 December 2016, restricted deposits of RMB2,237,000 (Note 18) were held at bank as collateral for the bank borrowings. Restricted deposits of 6,500,000 were held at bank for the unsettled lawsuit as required by the court. It was released in May 2017.

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

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**390,723**	1,064,668
US$	**1,529,607**	877,136
HK$	**4,312**	25,455
	1,924,642	1,967,259

14 Share capital and premium

(a) Authorized shares

	Number of authorized shares
At 1 January 2016	500,000
Share subdivision (i)	7,999,500,000
At 31 December 2016	8,000,000,000
At 1 January 2017 and 31 December 2017	8,000,000,000

(b) Issued shares

	Number of issued shares	Ordinary shares RMB'000	Treasury shares	Share premium RMB'000	Total RMB'000
At 1 January 2016	50,000	310	—	—	310
Share subdivision (i)	799,950,000	—	—	—	—
Issue of ordinary shares (ii)	1,094,402,000	456	—	3,062,920	3,063,376
Share issuance costs (ii)	—	—	—	(166,684)	(166,684)
Conversion of hybrid instruments (iii)			—		
— Convertible notes	617,936,000	258	—	1,730,006	1,730,264
— Redeemable convertible deemed preferred shares	286,480,000	120	—	740,839	740,959
— Redeemable convertible ordinary shares	140,176,000	59	—	392,444	392,503
At 31 December 2016	2,938,994,000	1,203	—	5,759,525	5,760,728
At 1 January 2017	**2,938,994,000**	**1,203**	**—**	**5,759,525**	**5,760,728**
Repurchase of shares (iv)	**—**	**—**	**(36,116)**	**—**	**(36,116)**
Cancellation of shares (v)	**(17,268,000)**	**(7)**	**36,116**	**(36,109)**	**—**
At 31 December 2017	**2,921,726,000**	**1,196**	**—**	**5,723,416**	**5,724,612**

14 Share capital and premium (continued)

(b) Issued shares (continued)

(i) On 15 July 2016, the par value of each share of the Company was changed from US$1 to US$0.0000625 by way of a 16,000-for-1 share subdivision.

(ii) On 15 July 2016, the Company issued 1,035,707,000 new ordinary shares of US$0.0000625 each at HK$3.25 per share in connection with its global offering and commencement of the Listing on the same date. The gross proceeds raised from the global offering is HK$3,366,047,750. The relevant portion of the transaction costs amounting to RMB163,254,000 was credited to the share capital and premium.

On 10 August 2016, an aggregate of 58,695,000 shares of the Company were issued at a price of HK$3.25 pursuant to the exercise of over-allotment option. The gross proceeds raised is HK$190,758,750. The related transaction costs of RMB3,430,000 were credited to the share capital and premium.

(iii) The convertible notes, redeemable convertible deemed preferred shares and redeemable convertible ordinary shares with total amount of US$437,557,000 were converted to 1,044,592,000 ordinary shares in total upon the Listing.

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

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

15 Retained earnings

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**2,551,522**	1,831,347
Profit for the year	**885,800**	720,478
Appropriation to statutory reserves (Note 16)	**(758)**	(303)
At end of the year	**3,436,564**	2,551,522

16 Other reserves

	Reorganization reserve RMB'000	Statutory reserves RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	10,461	2,600	139,716	152,777
Employee share option scheme				
— Value of employee service (Note 17)	—	—	10,645	10,645
Change in value of available-for-sale financial assets (Note 12)	—	—	10,938	10,938
Gains transferred to the consolidated statement of comprehensive income (Note 24)	—	—	(7,466)	(7,466)
Currency translation differences	—	—	(355)	(355)
Appropriation to statutory reserves (i)	—	303	—	303
At 31 December 2016	10,461	2,903	153,478	166,842
At 1 January 2017	**10,461**	**2,903**	**153,478**	**166,842**
Employee share option scheme				
— Value of employee service (Note 17)	**—**	**—**	**10,412**	**10,412**
Change in value of available-for-sale financial assets (Note 12)	**—**	**—**	**(13,526)**	**(13,526)**
Gains transferred to the consolidated statement of comprehensive income (Note 24)	**—**	**—**	**(439)**	**(439)**
Currency translation differences	**—**	**—**	**531**	**531**
Appropriation to statutory reserves (i)	**—**	**758**	**—**	**758**
At 31 December 2017	**10,461**	**3,661**	**150,456**	**164,578**

(i) Pursuant to the Company Law of the PRC and the articles of association of certain PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their registered capital; after the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand operations, or to increase the capital of the respective companies. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

17 Share-based payments

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

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

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

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

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

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

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

	Year ended 31 December			
	2017		2016	
	Average exercise price in HK$ per share	Number of options	Average exercise price in HK$ per share	Number of options
As at 1 January	**1.625**	**15,824,000**	—	—
Granted	**—**	**—**	1.625	989
Subdivision	**—**	**—**	—	15,823,011
Forfeited during the year	**1.625**	**(380,800)**	1.625	—
As at 31 December	**1.625**	**15,443,200**	1.625	15,824,000

17 Share-based payments (continued)

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 2017	2016
21 March 2016	31 March 2018 (a)	1.625	**163,200**	—
21 March 2016	21 March 2021	1.625	**12,288,000**	12,832,000
28 March 2016	28 March 2021	1.625	**2,992,000**	2,992,000
			15,443,200	15,824,000

(a) The share options were exercised in March 2018.

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

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

The share option expense charged to the consolidated statement of comprehensive income during the year ended 31 December 2017 was approximately HK$12,496,000 (equivalent to RMB10,412,000) (2016: HK$12,775,000, equivalent to RMB10,645,000).

18 Borrowings

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets (a)	**3,221,448**	2,536,954
— secured by assets and equity interest of certain subsidiaries (b)	**322,939**	445,525
Long-term borrowings from other financial institutions		
— secured by shares of subsidiary guarantors (c)	**653,044**	652,944
— unsecured	**649,744**	1,387,400
Senior Notes		
— secured by guarantees and pledges provided by certain subsidiaries (d)	**1,916,490**	—
Less: Long-term bank borrowings due within one year	**(551,114)**	(390,231)
Long-term borrowings from other financial institutions due within one year	**(653,044)**	—
	5,559,507	4,632,592

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Current		
Short-term Bank borrowings		
— secured by assets (a)	**—**	213,623
Current portion of long-term bank borrowings	**551,114**	390,231
Current portion of long-term borrowings from other financial institutions	**653,044**	—
	1,204,158	603,854
Total borrowings	**6,763,665**	5,236,446

18 Borrowings (continued)

(a) As at 31 December 2017, bank borrowings of RMB2,535,483,000 (2016: RMB2,389,954,000) with undrawn borrowing amounting to RMB124,700,000 were secured by the investment properties of the Group amounting to RMB9,149,000,000 (2016: RMB8,840,000,000) (Note 7).

As at 31 December 2017, bank borrowings of RMB361,916,000 (2016: RMB250,623,000) were secured by the investment properties of the Group amounting to RMB1,491,000,000 (2016: RMB1,029,000,000) (Note 7), trade receivables amounting to RMB1,075,000 (2016: Nil) (Note 11), and the rental income generated from the lease of the investment properties during the terms of the borrowings (2016: secured by the rental income).

As at 31 December 2017, bank borrowings of RMB324,049,000 (2016: Nil) with undrawn borrowing amounting to RMB76,000,000 were secured by the investment properties of the Group amounting to RMB1,470,000,000 (2016: Nil) (Note 7), trade receivables amounting to RMB305,000 (2016: Nil) (Note 11), the rental income generated from the lease of the investment properties during the terms of the borrowings (2016: Nil), and restricted deposits of the Group amounting to RMB37,460,000 (2016: Nil) (Note 13).

As at 31 December 2016, bank borrowings of RMB110,000,000 were secured by the investment properties of the Group amounting to RMB573,000,000 (Note 7), and restricted deposits of the Group amounting to RMB2,237,000 (Note 13).

(b) As at 31 December 2017, bank borrowings of RMB322,939,000 were secured by the Group's equity interests in certain subsidiaries and restricted deposits of the Group amounting to RMB65,342,000 (Note 13). As at 31 December 2016, bank borrowings of RMB445,525,000 were secured by the investment property of the Group amounting to RMB885,000,000 and the Group's equity interest in certain subsidiaries.

(c) On 27 June 2016, the Company entered into two legally binding commitment letters with two financial institutions, each an independent third party, for debt facilities of up to US$100,000,000 in aggregate for the purposes of repaying the credit facility to Credit Suisse AG, Singapore Branch and funding for the development of additional logistics facilities in the future and other general corporate purposes. The debt facilities were drawn down on 15 July 2016, bearing coupon rate of 8% per annum and payable semiannually. The debt facilities will be due on the third anniversary of the day the Company draws down the facilities at 106.8% of the outstanding principal amount and the Company has an early repayment option, exercisable up to 18 months after the Company draws down the facilities, subject to a premium. The debt facilities are subject to a number of customary covenants and are guaranteed by the Group's offshore subsidiaries and secured by pledge over their shares. In December 2017, the Company intended to exercise the early repayment option. The debt facilities were paid subsequently on 10 January 2018.

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

18 Borrowings (continued)

As of the date of these consolidated financial statements, US$102,625,000 of the net proceeds has been used for the repayment of the principal amount and interest on the borrowings from a financial institution, and US$20,408,000 has been used for investment properties' construction.

The fair value of current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of borrowings with similar credit risk within level 3 of the fair value hierarchy.

At 31 December 2017 and 2016, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**3,544,387**	3,196,102
US$	**3,219,278**	2,040,344
	6,763,665	5,236,446

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Floating rate:		
— Expiring within one year	**—**	31,378
— Expiring over one year	**76,000**	128,000
	76,000	159,378
Fixed rate:		
— Expiring over one year	**124,700**	130,000
	200,700	289,378

These undrawn borrowing facilities are secured by the Group's investment properties as disclosed above. These facilities have been arranged to help finance the construction of investment properties.

18 Borrowings (continued)

As at 31 December 2017 and 2016, the Group's borrowing were repayable as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**1,204,158**	603,854
Between 1 and 2 years	**1,292,813**	515,608
Between 2 and 5 years	**3,358,044**	3,272,664
Over 5 years	**908,650**	844,320
	6,763,665	5,236,446

As at 31 December 2017, borrowings of RMB3,557,919,000 (2016: RMB2,090,345,000) bear fixed interest rates and the remaining borrowings bear floating interest rates.

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
6 months or less	**2,440,101**	1,794,775
6 to 12 months	**955,883**	1,001,370
1 to 5 years	**3,237,681**	2,440,301
Over 5 years	**130,000**	—
	6,763,665	5,236,446

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

	As at 31 December	
	2017	2016
RMB	**5.7%**	5.7%
US$	**11.1%**	12,2%

19 Deferred income

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	**–**	–
Additions	**56,056**	21,317
Credit to the consolidated statement of comprehensive income (Note 23)	**(56,056)**	(21,317)
At 31 December	**–**	–

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

20 Long-term payables

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Rental deposits	**54,064**	27,612

21 Trade and other payables

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Payables for construction costs	330,954	262,915
Interest payable	134,007	74,817
Advances from customers	45,870	30,045
Deposits	33,376	11,653
Accrued operating expenses	22,385	16,281
Other taxes payable	22,121	15,924
Rental deposits and rental fees payable to related parties (Note 34)	16,415	—
Payables for commission fees and other expenses related to issuance of senior notes	14,279	—
Employee benefit payables	6,123	3,372
Prepaid rents from related parties (Note 34)	255	283
Payables for listing expenses	—	4,485
Others	1,037	2,662
	626,822	422,437

At 31 December 2017 and 2016, 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	
	2017	2016
	RMB'000	RMB'000
Up to 1 year	271,361	237,868
1 year to 2 years	46,455	23,745
Over 2 years	13,138	1,302
	330,954	262,915

22 Revenue

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Rental income and revenue from providing management services	**403,900**	270,861

23 Other income

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Asset related government grants (Note 19)	**56,056**	21,317
Income related government grants	**731**	3,973
Others	**1,013**	642
	57,800	25,932

24 Other gains — net

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Gains from disposal of subsidiaries (i)	**107,719**	—
Gains from disposal of derivative financial instruments	**566**	—
Gains from disposal of available-for-sale financial assets (Note 16)	**439**	7,466
Disposal of property, plant and equipment	**130**	—
Donations	**(220)**	(402)
Disposal of auxiliary facilities of investment properties	**—**	(1,349)
Contract termination compensation	**—**	(2,640)
Others	**(28)**	(2,278)
	108,606	797

24 Other gains — net (continued)

(i) Disposal of subsidiaries

	Year ended 31 December 2017 RMB'000
Total disposal consideration	883,347
Carrying amount of net assets disposed	(764,562)
Exchange losses	(11,066)
Gain on disposal before income tax	107,719
Income tax expense on gain (Note 28)	(40,645)
Gain on disposal after income tax	67,074

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

24 Other gains — net (continued)

(i) Disposal of subsidiaries (continued)

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

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

Cash flows related to the disposal of subsidiaries were:

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

25 Expenses by nature

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Tax charges	**90,460**	63,197
Employee benefit expenses — including directors' emoluments (Note 26)	**53,559**	41,030
Maintenance and repairing costs	**28,181**	22,402
Rental fees	**21,258**	2,309
Professional fees	**15,817**	6,948
Leasing commission	**10,264**	6,946
Travelling expenses	**5,602**	4,989
Utilities and office expenses	**4,785**	3,027
Auditor's remuneration		
— Audit services	**3,805**	3,400
— Non-audit services	**1,000**	1,200
Depreciation of property, plant and equipment (Note 6)	**1,932**	1,465
Entertainment expenses	**830**	1,214
Impairment loss of trade receivables (Note 11)	**572**	—
Bank charges	**443**	379
Listing expenses	**—**	36,818
Other expenses	**4,746**	6,680
Total cost of sales, selling and marketing expenses and administrative expenses	**243,254**	202,004

26 Employee benefit expenses

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries, wages and bonuses	**35,819**	25,459
Employees share option expenses (Note 17)	**10,412**	10,645
Pension, housing fund, medical insurance and other social insurance	**7,328**	4,926
Total employee benefit expense	**53,559**	41,030

26 Employee benefit expenses (continued)

(a) Five highest paid individuals

During the year ended 31 December 2017, the five highest paid individuals include five directors of the Company, whose emoluments are reflected in the analysis presented in Note 37.

During the year ended 31 December 2016, the five highest paid individuals include four directors of the Company, whose emoluments are reflected in the analysis presented in Note 37. The emoluments payable to the remaining one individual during the years ended 31 December 2016 as follows:

	Year ended 31 December 2016 RMB'000
Salaries, wages and bonuses	884
Pension, housing fund, medical insurance and other social insurance	83
Total employee benefit expense	967

For the year ended 31 December 2017, 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 (2016: Nil).

27 Finance expenses — net

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Finance expenses		
Interest on bank borrowings	**(196,684)**	(141,867)
Interest on borrowings from other financial institutions	**(206,135)**	(93,995)
Interest on senior notes	**(40,408)**	—
	(443,227)	(235,862)
Less: Capitalization of interest	**119,961**	125,015
Net interest expense on borrowings	**(323,266)**	(110,847)
Net exchange losses	**—**	(30,456)
Less: Capitalization of exchange losses	**—**	7,004
	(323,266)	(134,299)
Finance income		
Interest income on bank deposits	**8,036**	7,529
Net exchange gains	**88,525**	—
	96,561	7,529
Net finance expenses	**(226,705)**	(126,770)

28 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	
	2017	2016
	RMB'000	RMB'000
Current tax		
Current tax on profits for the year	**10,405**	5,121
Withholding tax	**40,645**	—
Adjustments for current tax of prior periods	**749**	(334)
Total current tax expense	**51,799**	4,787
Deferred income tax		
Increase in deferred tax assets (Note 9)	**(1,414)**	(41,377)
Increase in deferred tax liabilities (Note 9)	**290,754**	349,325
Total deferred tax expense	**289,340**	307,948
Income tax expense	**341,139**	312,735

(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 year.

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

CIT is provided at the rate of 25% (2016: 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.

28 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	
	2017	2016
	RMB'000	RMB'000
Profit before tax	**1,226,939**	1,033,213
Tax calculated at domestic tax rates applicable to profits in the respective countries	**315,172**	303,803
Tax effects of:		
— Expenses not deductible for tax purpose	**156**	823
— Income not subject to tax	**(418)**	(927)
— Tax losses for which the deferred income tax asset was not recognized (Note 9)	**26,299**	9,806
— Utilization of previously unrecognized tax losses	**(70)**	(770)
Tax charge	**341,139**	312,735

During the year ended 31 December 2017, the effective tax rate is 27.8% (2016: 30.3%).

29 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2017 and 2016, the 16,000-for-1 share subdivision effective on 15 July 2016 (Note 14) have been accounted for as if it had been completed on 1 January 2015.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**885,800**	720,478
Weighted average number of ordinary shares in issue	**2,929,699,651**	1,786,845,742
Basic earnings per share (RMB per share)	**0.3024**	0.4032

(b) Diluted

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

	Year ended 31 December	
	2017	2016
Profit attributable to equity owners of the Company (RMB'000)	**885,800**	720,478
Weighted average number of ordinary shares in issue	**2,929,699,651**	1,786,845,742
Adjustment for shares granted under share option scheme	**4,636,567**	2,306,435
Weighted average number of ordinary shares for diluted earnings per share	**2,934,336,218**	1,789,152,177
Diluted earnings per share (RMB per share)	**0.3019**	0.4027

30 Dividends

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2017.

31 Cash flow information

(a) Cash generated from operations

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**1,226,939**	1,033,213
Adjustments for:		
— Depreciation of property, plant and equipment (Note 6)	**1,932**	1,465
— Fair value gains on investment properties — net	**(865,330)**	(1,102,592)
— Fair value losses on hybrid instruments — net	**—**	114,697
— Gains from disposal of derivative financial instruments (Note 24)	**(566)**	—
— Gains from disposal of available-for-sale financial assets (Note 24)	**(439)**	(7,466)
— Gains from disposal of property, plant and equipment (Note 24)	**(130)**	—
— Amortization of intangible asset	**28**	28
— Gains from disposal of subsidiaries (Note 24)	**(107,719)**	—
— Losses on disposal of auxiliary facilities of investment properties (Note 24)	**—**	1,349
— Share-based payment (Note 17)	**10,412**	10,645
— Finance expenses – net (Note 27)	**197,113**	140,984
— Share of results of associated companies (Note 8)	**(261,262)**	(76,502)
— Government grant (Note 23)	**(56,056)**	(21,317)
— Trade and other receivables	**(19,339)**	(8,683)
— Trade and other payables	**93,907**	50,556
Cash generated from operations	**219,490**	136,377

31 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

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

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

32 Subsidiaries

Particulars of the major subsidiaries of the Group as at 31 December 2017:

(i) Subsidiaries — established in the PRC

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2017	2016	Principal activities
Shanghai Yupei	12 June 2000	Private enterprise	336,275	336,275	**100%**	100%	Construction of storage facilities related to warehousing service
Shanghai Yupei Investment Management Co., Ltd.	19 November 2003	Private enterprise	10,000	10,000	**100%**	100%	Investment management (except for equity investment and investment management)
Tianjin Yupei Warehousing Co., Ltd.	27 March 2014	Private enterprise	110,000	110,000	**100%**	100%	Warehousing services, warehouse leasing, logistics, development and construction of warehousing facilities
Hefei Yuhang Warehousing Co., Ltd.	13 May 2014	Private enterprise	62,750	62,750	**100%**	100%	Warehousing services, warehouse leasing
Wuhu Yupei Investment Management Co., Ltd.	13 November 2013	Private enterprise	100,000	100,000	**100%**	100%	Investment management, project investment, enterprise management consulting
Chuzhou Yuhang Logistics Co., Ltd.	27 August 2007	Private enterprise	50,000	50,000	**100%**	100%	Cargo warehousing, cargo agents, stowage loading and unloading and related business advisory service
Shenyang Yupei Warehousing Co., Ltd.	28 February 2012	Private enterprise	50,000	50,000	**100%**	100%	Self-owned buildings leasing, warehousing services (excluding hazardous chemicals)
Shenyang Yuhang Logistics Co., Ltd.	25 March 2011	Private enterprise	90,000	90,000	**100%**	100%	Self-owned buildings leasing, warehousing services (Excluding inflammable and explosive hazardous chemicals)
Wuhan Yupei Warehousing Co., Ltd.	2 August 2011	Private enterprise	66,000	66,000	**100%**	100%	Warehousing services, cargo transportation consulting services
Beijing Linhaitan Trading Co., Ltd.	31 July 2006	Private enterprise	140,000	140,000	**100%**	100%	Warehousing, sales building materials

32 Subsidiaries (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2017	2016	Principal activities
Wuhu Yupei Warehousing Co., Ltd.	7 March 2013	Private enterprise	80,000	80,000	**100%**	100%	General cargo warehousing facilities rental, general cargo warehousing (except hazardous chemicals)
Changchun Yupei Warehousing Co., Ltd.	24 December 2013	Private enterprise	70,450	70,450	**100%**	100%	Warehousing, house lease, property development and management
Suzhou Yupei Warehousing Co., Ltd.	30 October 2012	Private enterprise	179,000	179,000	**100%**	100%	Construction and management of storage facilities, property management
Zhengzhou Yupei Warehousing Co., Ltd.	28 February 2014	Private enterprise	130,000	130,000	**100%**	100%	Warehousing services
Anhui Yupei Investment Co., Ltd.	3 April 2014	Private enterprise	700,000	1,583	**100%**	100%	Logistics management and enterprise management service and related technical advisory
Jiaxing Yupei Warehousing Co., Ltd.	11 July 2014	Private enterprise	308,540	193,783	**100%**	100%	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistic information consulting services
Jinan Yupei Warehousing Service Co., Ltd.	6 August 2014	Private enterprise	70,000	36,500	**100%**	100%	Warehousing services, self-owned building leasing, logistic information consulting services
Nantong Yupei Warehousing Co., Ltd.	19 September 2014	Private enterprise	123,850	48,000	**100%**	100%	Warehousing services, management of storage facilities and other services, logistic information consulting services
Tianjin Yupei Logistics Co., Ltd.	16 September 2014	Private enterprise	185,570	95,000	**100%**	100%	Warehousing services, management of storage facilities and other services, logistic information consulting services

32 Subsidiaries (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2017	2016	Principal activities
Suzhou Yuqing	10 October 2014	Private enterprise	200,000	200,000	**100%**	100%	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services
Changzhou Yupei Warehousing Co., Ltd.	8 October 2014	Private enterprise	245,000	90,000	**100%**	100%	Warehousing management and related consulting and services
Huai'an Yupei Warehousing Co., Ltd.	31 October 2014	Private enterprise	92,000	92,000	**100%**	100%	Warehousing services, management of storage facilities, logistic information consulting services
Wuhan Yude Warehousing Co., Ltd.	13 November 2014	Private enterprise	67,000	–	**100%**	100%	Warehousing services, management of storage facilities, logistic information consulting services
Zhaoqing Yupei Warehousing Co., Ltd.	3 December 2014	Private enterprise	130,000	130,000	**100%**	100%	Warehousing services, management of storage facilities, self-owned plants leasing, warehouse leasing, logistics information consulting
Shanxi Xixian New District Yupei Warehousing Co., Ltd.	18 December 2014	Private enterprise	184,550	184,550	**100%**	100%	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

32 Subsidiaries (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2017	2016	Principal activities
Wuxi Yupei Warehousing Development Co., Ltd.	5 December 2014	Private enterprise	US$ 100,000	US$ 96,422	**100%**	100%	Warehousing service (except hazardous chemicals) and consulting services, storage facilities leasing, property management
Changsha Yupei Warehousing Co., Ltd.	8 May 2015	Private enterprise	185,000	45,000	**100%**	100%	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Shanghai Qingyang Horticulture Co., Ltd.	3 July 2001	Private enterprise	5,000	5,000	**100%**	100%	Flowers, seedling, fruit trees planting; landscape engineering; greening projects; warehousing service (except hazardous chemicals)
Suzhou Yuzhen Warehousing Co., Ltd.	28 November 2014	Private enterprise	500,000	256,800	**100%**	100%	Construction and management of storage facilities (excluding transportation), and providing property management services and consulting services
Shanghai Yuzai Investment Management Co., Ltd.	16 January 2015	Private enterprise	150,000	150,000	**100%**	100%	Investment management, project investment, enterprise management consulting
Xianyang Yupei Warehousing Co., Ltd.	6 February 2015	Private enterprise	100,000	–	**100%**	100%	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Haerbin Yupei Warehousing Co., Ltd.	5 February 2015	Private enterprise	171,330	60,000	**100%**	100%	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants
Dalian Yupei Warehousing Co., Ltd.	19 May 2015	Private enterprise	500,000	156,000	**100%**	100%	Warehousing service and consulting services, storage facilities leasing, property management, lease of plants

32 Subsidiaries (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2017	2016	Principal activities
Chongqing Yupei Warehousing Co., Ltd.	27 January 2015	Private enterprise	200,000	115,000	**100%**	100%	Warehousing service (except hazardous chemicals) and consulting services, storage facilities leasing, property management, lease of plants
Huizhou Yuanwang Technology Park Development Co., Ltd.	11 October 2012	Private enterprise	95,000	95,000	**100%**	100%	Management of storage facilities, warehousing management and related consulting and services
Chengdu Shengbao Iron Structure Co., Ltd. ("Chengdu Shengbao")	16 April 2010	Private enterprise	130,000	130,000	**100%**	100%	Production and sales of steel structure, painted metal and other metals, logistic services, warehousing service (except hazardous chemicals), lease of plants, goods and technology importation and exportation
Zhengzhou Hozdo Logistics Co., Ltd.	29 July 2011	Private enterprise	50,000	50,000	**100%**	100%	Warehousing services (excluding inflammable and explosive hazardous chemicals), self-owned buildings leasing, logistic information consulting services and related technical advisory
Shanghai Yuheng Logistics Management Co., Ltd.	9 October 2015	Private enterprise	1,000	1,000	**100%**	100%	Logistics management; logistic information consulting services; warehousing service (except hazardous chemicals); business consulting; industrial investment; property management; hotel management
Shanghai Shuozheng Trading Co., Ltd.	30 January 2015	Private enterprise	110,000	110,000	**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

32 Subsidiaries (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2017	2016	Principal activities
Jinan Yuzhen Warehousing Co., Ltd.	11 August 2015	Private enterprise	155,000	100,000	**100%**	100%	Warehousing services (excluding hazardous chemicals); self-owned buildings leasing; construction and management of storage facilities
Nanchang Yupei Warehousing Co., Ltd.	6 September 2016	Private enterprise	185,000	40,000	**100%**	100%	Warehousing services; construction and management of storage facilities; self-owned buildings leasing; logistics information consulting services; property management services
Zhoushan Yupei Warehousing Co., Ltd.	11 October 2016	Private enterprise	132,000	76,550	**100%**	100%	Construction, management and leasing of storage facilities; warehousing service (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting services
Kunshan Yuzai Warehousing Co., Ltd.	20 October 2016	Private enterprise	305,490	108,000	**100%**	100%	Warehousing service (except transportation); management and leasing of storage facilities; logistics information consulting services; property management services
Zhoushan Yuhang Warehousing Co., Ltd.	26 October 2016	Private enterprise	60,000	29,000	**100%**	100%	Construction, management and leasing of storage facilities (except hazardous chemicals); property management and consulting; self-owned buildings leasing; logistics information consulting services

32 Subsidiaries (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2017	2016	Principal activities
Guiyang Yupei Warehousing Co., Ltd.	2 November 2016	Private enterprise	225,000	70,000	**100%**	100%	Warehousing service; construction and management of storage facilities; construction and management of workshop; self-owned buildings leasing; storage facilities leasing; distribution and settlement of e-commerce; logistics information consulting services; property management and consulting services
Nanjing Yupei Warehousing Co., Ltd.	4 November 2016	Private enterprise	667,260	235,521	**100%**	100%	Warehousing service; development and manufacturing of logistics equipment; self-owned buildings leasing; logistics information consulting services; property management and consulting services
Kunming Yupei Warehousing Co., Ltd.	9 November 2016	Private enterprise	190,000	145,300	**100%**	100%	Warehousing service; development, construction and management of storage facilities; logistics information consulting services; property management and consulting services
Wuhu Yupei Fund Management Co., Ltd.	21 November 2016	Private enterprise	10,000	3,000	**100%**	100%	Equity investment; investment management
Wuhu Yuhang Investment Management Co., Ltd.	21 November 2016	Private enterprise	400,000	–	**100%**	100%	Equity investment; investment management
Zhangzhou Yupei Logistics Co., Ltd.	3 November 2017	Private enterprise	40,000	–	**100%**	100%	Transportation and warehousing services (except hazardous chemicals); construction, operation and leasing of warehousing facilities; property management consulting services; logistics information consulting services; manufaction and R&D of mechanical equipment

32 Subsidiaries (continued)

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

Company name	Date of incorporation	Legal status	Registered capital RMB'000	Issued and fully paid share capital RMB'000	Effective interest held as at 31 December 2017	2016	Principal activities
Zhangzhou Shuomei Logistics Co., Ltd.	3 November 2017	Private enterprise	40,000	–	**100%**	100%	Transportation and warehousing services (except hazardous chemicals); construction, operation and leasing of warehousing facilities; property management consulting services; logistics information consulting services; manufaction and R&D of mechanical equipment

(ii) Subsidiaries - established in the British Virgin Islands ("B.V.I") and Hong Kong("HK")

The Company has several wholly owned subsidiaries established in B.V.I and HK. These subsidiaries are all investment holding companies.

33 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 2017 RMB'000	2016 RMB'000
Investment properties	**1,348,204**	1,089,772

(b) Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The lease terms are between 2 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	As at 31 December 2017 RMB'000	2016 RMB'000
No later than 1 year	**19,119**	4,162
Later than 1 year and no later than 5 years	**1,680**	—
	20,799	4,162

34 Related party transactions

Before the Listing, Mr. Li and Ms. Ma are the ultimate controlling shareholders of the Group and their subsidiaries are regarded as the related parties. After the Listing, they become the substantial shareholders of the Group and their subsidiaries continue to be regarded as the related parties.

Names and relationships with related parties are as follows:

Company name	Relationships
Shanghai Yupei Industrial	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei Construction Engineering Co., Ltd. ("Yupei Construction")	Controlled by Mr. Li and Ms. Ma
Yupei Supply Chain Management Co., Ltd. ("Yupei Supply Chain")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei Express Logistics Co., Ltd. ("Yupei Express Logistics")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei E-commerce Co., Ltd. ("Yupei E-commerce")	Controlled by Mr. Li and Ms. Ma
Yupei International Investment Management Co., Ltd. ("Yupei International")	Controlled by Mr. Li and Ms. Ma
Shanghai Yupei Specialty Building Materials Co., Ltd. ("Yupei Building Materials")	Controlled by Mr. Li and Ms. Ma
Hong Kong Yupei International Holdings Ltd. ("Hong Kong Yupei")	Controlled by Mr. Li and Ms. Ma
Shanghai Hongyu	Associate of the Company

The significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2017 and 2016, and balances arising from related party transactions as at 31 December 2017 and 2016 are summarised below.

(a) Repayment of advances from a related party

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Repayment of advances		
— Shanghai Hongyu	–	12,300

34 Related party transactions (continued)

(b) Services provided by related parties

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Rental fees		
— Shanghai Hongyu	19,497	—
— Shanghai Yupei Industrial	—	548
	19,497	548

The Group leased office building from Shanghai Hongyu during the year, under the leasing period commencing from 1 July 2017 to 31 March 2018, and the rental fees of RMB2.80 per sq.m. per day.

(c) Services provided to related parties

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Rental income and revenue from providing property management services to		
— Yupei Express Logistics	9,199	7,395
— Yupei Building Materials	5,525	5,498
— Yupei Supply Chain	4,095	1,802
— Yupei Construction	761	757
— Yupei E-commerce	266	1,060
	19,846	16,512

Logistics facilities were leased to related parties during the year under the leasing periods ranged from 1 January 2016 to 31 December 2019. The rental fees start at a range of comparable market rental from RMB18.55 to RMB62.05 per sq.m. per month and subject to an annual 3% increment. The property management fees start at RMB1.80 per sq.m. per month and subject to an annual 3% increment.

34 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	
	2017	2016
	RMB'000	RMB'000
Salaries and allowance	**10,856**	5,828
Employees share option expenses	**9,265**	7,418
Other social security cost, housing benefits and other employee benefits	**575**	487
	20,696	13,733

34 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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables from related parties (Note 11)		
— Yupei Supply Chain	281	—
— Yupei Express Logistics	201	—
	482	—
Rental deposits and other receivables from related parties (Note 11)		
— Shanghai Hongyu	5,000	—
— Yupei International	—	2
— Hong Kong Yupei	—	1
	5,000	3
Long-term rental deposits payable to related parties		
— Yupei Supply Chain	1,000	1,400
— Yupei Express Logistics	329	843
	1,329	2,243
Prepaid rents from related parties (Note 21)		
— Yupei Supply Chain	255	—
— Yupei Express Logistics	—	283
	255	283
Rental deposits and rental fees payable to related parties (Note 21)		
— Shanghai Hongyu	14,163	—
— Yupei Express Logistics	2,252	—
	16,415	—

The receivables from and payables to related parties as at 31 December 2017 and 31 December 2016 arise mainly from ordinary course of businesses. The receivables are unsecured in nature and bear no interest. There are no provisions made against receivables from related parties.

35 Events occurring after the balance sheet date

(a) Issuance of senior notes

On 1 February 2018, the Company completed the issuance of US$ denominated senior notes (the "2018 Notes") in the aggregate principal amount of US$100,000,000. The 2018 Notes will mature on 4 February 2019, unless earlier redeemed in accordance with the terms thereof. The 2018 Notes will bear interest from and including 7 February 2018 at a rate of 9.00% per annum payable in arrears on 7 August 2018 and 4 February 2019. The Company intends to use the net proceeds of the 2018 Notes for repaying existing offshore indebtedness and general corporate purposes.

Save as disclosed in Note 17 and Note 18 to the consolidated financial statements, there are no other material subsequent events undertaken by the Company or by the Group after 31 December 2017.

36 Balance sheet and reserve movement of the Company

Balance sheet of the Company

		As at 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**6,058,888**	5,630,104
Available-for-sale financial assets	12	**55,541**	—
Long-term prepaid		**84**	—
		6,114,513	5,630,104
Current assets			
Trade and other receivables		**614**	313
Prepayments		**693**	462
Loans to subsidiaries		**1,833,622**	994,171
Available-for-sale financial assets	12	**269,937**	76,119
Cash and cash equivalents		**764,893**	889,448
		2,869,759	1,960,513
Total assets		**8,984,272**	7,590,617

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

Balance sheet of the Company (continued)

		As at 31 December	
		2017	2016
	Note	RMB'000	RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital and premium	14	**5,724,612**	5,760,728
Other reserves	(a)	**150,280**	153,833
Accumulated losses	(a)	**(781,102)**	(845,515)
Total equity		**5,093,790**	5,069,046
Liabilities			
Non-current liabilities			
Borrowing	18	**2,566,234**	2,040,344
		2,566,234	2,040,344
Current liabilities			
Current income tax liabilities		**19,916**	—
Borrowings	18	**653,044**	—
Trade and other payables		**651,288**	481,227
		1,324,248	481,227
Total liabilities		**3,890,482**	2,521,571
Total equity and liabilities		**8,984,272**	7,590,617

The balance sheet of the Company was approved by the Board on 26 March 2018 and was signed on its behalf by:

Li Shifa   Pan Naiyue

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

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2016	(854,127)	139,716	(714,411)
Profit for the year	8,612	—	8,612
Employee share option scheme			
— Value of employee services	—	10,645	10,645
Change in value of available-for-sale financial assets	—	3,472	3,472
At 31 December 2016	(845,515)	153,833	(691,682)
At 1 January 2017	**(845,515)**	**153,833**	**(691,682)**
Profit for the year	**64,413**	**—**	**64,413**
Employee share option scheme			
— Value of employee services	**—**	**10,412**	**10,412**
Change in value of available-for-sale financial assets	**—**	**(13,965)**	**(13,965)**
At 31 December 2017	**(781,102)**	**150,280**	**(630,822)**

37 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 2017 and 2016 are set out as follows:

	Year ended 31 December 2017				
Name of Director	Salary RMB'000	Employees share option expenses RMB'000	Employer's contribution to a pension plan RMB'000	Other social security cost and employee benefits RMB'000	Total RMB'000
Executive Directors:					
Mr. Li (i)	1,302	—	46	42	1,390
Mr. Pan Naiyue	1,067	1,665	46	42	2,820
Mr. Zhang Long	847	1,665	46	42	2,600
Mr. Wu Guolin	713	1,476	46	42	2,277
Ms. Li Huifang	579	560	46	42	1,227
Mr. Chen Runfu	—	—	—	—	—
Ms. Shi Lianghua	625	1,299	46	42	2,012
Mr. Cheuk Shun Wah	3,430	—	19	—	3,449
Non-executive Directors:					
Ms. Li Qing	189	1,490	15	13	1,707
Mr. Huang Xufeng	—	—	—	—	—
Independent Non-executive Directors:					
Mr. Guo Jingbin	311	—	—	—	311
Mr. Fung Ching Simon	311	—	—	—	311
Mr. Wang Tianye	311	—	—	—	311
Mr. Leung Chi Ching	311	—	—	—	311
Mr. Chen Yaomin	235	—	—	—	235
	10,231	8,155	310	265	18,961

37 Benefits and interests of directors (continued)

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

	Year ended 31 December 2016				
Name of Director	Salary RMB'000	Employees share option expenses RMB'000	Employer's contribution to a pension plan RMB'000	Other social security cost and employee benefits RMB'000	Total RMB'000
Executive Directors:					
Mr. Li (i)	1,085	—	42	41	1,168
Ms. Li Qing	537	1,245	42	41	1,865
Mr. Zhang Long	713	1,424	42	41	2,220
Mr. Pan Naiyue	890	1,424	42	41	2,397
Mr. Sun Limin	621	950	—	—	1,571
Non-executive Directors:					
Mr. Ong Tiong Sin	—	—	—	—	—
Mr. Liu Xiangge	—	—	—	—	—
Mr. Chen Runfu	—	—	—	—	—
Independent Non-executive Directors:					
Mr. Guo Jingbin	182	—	—	—	182
Mr. Fung Ching	182	—	—	—	182
Mr. Wang Tianye	182	—	—	—	182
Mr. Leung Chi Ching	182	—	—	—	182
	4,574	5,043	168	164	9,949

(i) The chief executive officer of the Company is Mr. Li, who is also one of the directors of the Company.

During the year ended 31 December 2017, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil). No directors waived or had agreed to waive any emoluments.

37 Benefits and interests of directors (continued)

(b) Directors' retirement benefits

During the year ended 31 December 2017, 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 (2016: Nil).

(c) Directors' termination benefits

During the year ended 31 December 2017, 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 (2016: Nil).

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

During the year ended 31 December 2017, no consideration was provided to or receivable by third parties for making available director's services (2016: 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 2017 and 2016 or at any time during the years.

(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 2017 and 2016 or at any time during the years.

中国物流资产 CHINA LOGISTICS PROPERTY HOLDINGS

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