China Logistics Property Holdings Co., Ltd
中國物流資產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1589)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Year-on-Year
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
		Restated[1]	
Revenue	**798,637**	712,506	12.1
Gross profit	**618,257**	546,725	13.1
Gross profit margin	**77.4%**	76.7%	0.7[5]
Profit for the year[2]	**66,620**	349,245	(80.9)
Non-IFRSs items:			
Core net profit[3][4]	**510,374**	454,519	12.3
Core net profit margin	**63.9%**	63.8%	0.1[5]

OPERATIONAL HIGHLIGHTS

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 2020:

	As at 31 December	
	2020	2019
Completed GFA:		
Stabilized logistics parks (million sq.m.)(6)	**2.8**	2.8
Pre-stabilized logistics parks (million sq.m.)(7)(8)	**0.8**	0.6
Total (million sq.m.)	**3.6**	3.4
Logistics parks under development or being repositioned (million sq.m.)	**0.4**	0.6
Land held for future development (million sq.m.)	**0.4**	0.6
Investments accounted for using equity method (million sq.m.)	**0.6**	0.3
Total GFA (million sq.m.)	**5.0**	4.9
Investment projects (million sq.m.)(9)	**3.8**	4.6
Occupancy rate for stabilized logistics parks (%)(6)	**90.2**	90.3

(1) The Group's financial results were restated as the Company changed its functional currency from Renminbi to Hong Kong dollars. Since the Company has no other business activities except for investment holding, and the Company was exposed to significant foreign exchange risk as its major financing activities were denominated in Hong Kong Dollars or U.S. Dollars while its functional currency was RMB, the directors have determined Hong Kong Dollars to be the Company's functional currency based on the circumstances of the Company alone as it provides reliable and more relevant information of the effects of transactions, financial position, financial performance or cash flows of the Company as an investment holding company operating in Hong Kong.

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

(3) 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 the purpose of business decision-making. Other companies in the same industry may calculate this non-IFRSs item differently than the Group does.

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

(5) Represents the absolute amount of year-on-year change.

(6) Logistics facilities (i) that had been in operation for more than 12 months as at 31 December 2020 or 2019 (as the case may be) or (ii) reached an occupancy rate of 90%.

(7) Logistics facilities (i) that had been completed and in operation for less than 12 months as at 31 December 2020 or 2019 (as the case may be) and (ii) reached an occupancy rate less than 90%.

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

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

The board (the "**Board**") of directors (the "**Directors**") of China Logistics Property Holdings Co., Ltd (the "**Company**") is pleased to announce the consolidated annual results (the "**Annual Results**") of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**") extracted from the consolidated financial statements of the Group to be set out in its 2020 annual report. In addition, the Annual Results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December **2020** *RMB'000*	2019 *RMB'000* *Restated*
Revenue	3	**798,637**	**712,506**
Cost of sales	4	**(180,380)**	**(165,781)**
Gross profit		**618,257**	**546,725**
Selling and marketing expenses	4	**(34,574)**	**(33,931)**
Administrative expenses	4	**(117,011)**	**(108,198)**
Net impairment losses on financial assets		**(1,532)**	**(1,349)**
Other income		**27,439**	**19,160**
Fair value gains on investment properties – net	9	**678,559**	**754,763**
Fair value losses on convertible bonds – net	15	**(802,092)**	**(37,732)**
Other gains/(losses) – net		**429,043**	**(133,918)**
Operating profit		**798,089**	**1,005,520**
Finance income		**35,717**	**29,306**
Finance costs		**(488,302)**	**(481,884)**
Finance expenses — net	5	**(452,585)**	**(452,578)**
Share of profit of investments accounted for using the equity method		**9,920**	**88,575**
Profit before income tax		**355,424**	**641,517**
Income tax expense	6	**(288,804)**	**(292,272)**
Profit for the year		**66,620**	**349,245**
Profit for the year attributable to:			
Owners of the Company		**22,835**	**257,192**
Non-controlling interests		**43,785**	**92,053**
		66,620	**349,245**
Other comprehensive (loss)/income for the year, net of tax		**(132,167)**	**73,897**
Total comprehensive (loss)/income for the year		**(65,547)**	**423,142**
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(109,332)**	**331,089**
Non-controlling interests		**43,785**	**92,053**
		(65,547)	**423,142**
Earnings per share for profit attributable to owners of the Company (expressed in RMB)			
— Basic	7	**0.0070**	**0.0795**
— Diluted	7	**0.0070**	**0.0795**
Dividends	8	**—**	**—**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	As at 31 December **2020** *RMB'000*	2019 *RMB'000* *Restated*	As at 1 January 2019 *RMB'000* *Restated*
Assets				
Non-current assets				
Property, plant and equipment		**115,572**	129,266	128,232
Investment properties	9	**20,289,000**	19,399,000	17,039,000
Intangible assets		**699**	861	653
Right-of-use assets		**178,424**	239,051	307,681
Investment accounted for using the equity method		**869,370**	787,374	550,556
Financial assets at fair value through profit or loss ("**FVPL**")		**312,539**	111,973	58,337
Long-term trade and other receivables		**26,918**	17,166	13,933
Long-term prepayments		**346,494**	451,331	481,408
Restricted cash		**35,677**	318,056	312,000
		22,174,693	21,454,078	18,891,800
Current assets				
Trade and other receivables	10	**165,261**	91,311	74,485
Prepayments	10	**111,491**	91,022	61,743
Financial assets at FVPL		**—**	146,975	289,176
Cash and cash equivalents		**1,033,353**	1,166,331	2,000,429
Restricted cash		**300,057**	12,043	91,874
		1,610,162	1,507,682	2,517,707
Assets classified as held for sale		**—**	—	482,839
		1,610,162	1,507,682	3,000,546
Total assets		**23,784,855**	22,961,760	21,892,346
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital and premium	11	**6,510,073**	6,442,389	6,460,307
Treasury shares	11	**(97,533)**	—	—
Other reserves	12	**(547,380)**	(408,724)	(497,328)
Retained earnings		**4,900,007**	4,880,762	4,625,857
		10,765,167	10,914,427	10,588,836
Non-controlling interests		**819,725**	824,752	798,621
Total equity		**11,584,892**	11,739,179	11,387,457

	Note	As at 31 December 2020 RMB'000	2019 RMB'000 Restated	As at 1 January 2019 RMB'000 Restated
Liabilities				
Non-current liabilities				
Borrowings	13	**6,211,033**	5,243,562	5,673,455
Long-term payables		**76,011**	77,656	89,029
Deferred income tax liabilities		**2,104,056**	1,998,186	1,751,100
Lease liabilities		**263,750**	294,259	342,924
Convertible bonds	15	**2,236,503**	996,259	—
		10,891,353	8,609,922	7,856,508
Current liabilities				
Trade and other payables	14	**360,504**	420,930	378,560
Current income tax liabilities		**30,569**	28,572	22,395
Borrowings	13	**889,922**	2,140,405	1,993,944
Lease liabilities		**14,811**	14,815	—
Contract liabilities	3	**12,804**	7,937	7,070
		1,308,610	2,612,659	2,401,969
Liabilities directly associated with assets classified as held for sale		**—**	—	246,412
		1,308,610	2,612,659	2,648,381
Total liabilities		**12,199,963**	11,222,581	10,504,889
Total equity and liabilities		**23,784,855**	22,961,760	21,892,346

NOTES TO THE FINANCIAL INFORMATION

1 General information of the Group

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 30 March 2021.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards, new amendments and interpretations to existing standards issued and relevant to the Group have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

Standards		**Effective for annual periods beginning on or after**
IAS 1 and IAS 8 (Amendments)	Definition of material	1 January 2020
IFRS 3 (Amendments)	Definition of a business	1 January 2020
Revised Conceptual Framework	Revised conceptual framework for financial reporting	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest rate benchmark reform	1 January 2020
IFRS 16 (Amendments)	Covid-19-related rent concessions	1 June 2020(i)

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

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

On application of the practical expedient in accordance with the amendments to IFRS 16, amounting to RMB2,785,000 (Note 4) of a reduction in lease payment have been recognized in the condensed consolidated statement of comprehensive income for the year end of 31 December 2020 to reflect the changes in lease payments that arise from the rent concession.

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

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

Standards		**Effective for annual periods beginning on or after**
IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 (Amendments)	Interest rate benchmark reform — phase 2	1 January 2021
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2022 (likely to be extended to 1 January 2023)
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous contracts — cost of fulfilling a contract	1 January 2022
IFRS 3 (Amendments)	Reference to the conceptual framework	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	IFRS 9, IFRS 16, IFRS 1, IAS 41	1 January 2022
IFRS 17	Insurance contracts	Originally 1 January 2021, but extended to 1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

(c) Change in accounting policy in respect of the functional currency of the Company

In prior year, the directors have determined that the functional currency of the Company to be Renminbi ("**RMB**") because it has no activity of its own and therefore has the same functional currency as its major subsidiaries operating in Mainland China, whose functional currency is RMB.

However, during current year, the directors have revisited the accounting policy in respect of the functional currency of the Company and considered that it would be more appropriate to consider all of the primary and secondary indicators and determine its functional currency by the currency of its own dividend revenue, its own expenses and the currency of its own financing.

The Company itself had no sales or purchase, but incurred daily operating expenses mainly in Hong Kong Dollars ("**HK$**"). The Company has significant financing activities denominated in HK$ or United States Dollars ("**US$**"), therefore, the directors have determined HK$ to be the Company's functional currency based on the circumstances of the Company alone as it better reflects the economic substance of the Company and its business activities as an investment holding company operating in Hong Kong. This is also the prevailing market practice in its industry.

This constitutes a voluntary change in accounting policy which needs to be applied retrospectively. The directors believe that such change will result in reliable and more relevant information about the effects of transactions, financial position, financial performance or cash flows of the Company whose activity is investment holding operated in Hong Kong with significant financing activities.

The comparative information in these consolidated financial statements has been restated to reflect as if HK$ has always been the functional currency of the Company. The amounts of the adjustment for each affected financial statement line items for the current and prior period are as follow:

Consolidated balance sheet (extract)	**31 December 2019 Originally presented**	**Change**	**31 December 2019 Restated**	**1 January 2019 Originally presented**	**Change**	**1 January 2019 Restated**
Other reserves	189,481	(598,205)	(408,724)	174,774	(672,102)	(497,328)
Retained earnings	4,282,557	598,205	4,880,762	3,953,755	672,102	4,625,857

Consolidated statement of comprehensive income (extract)	**Year ended 31 December 2020 Before adjustment**	**Change**	**Year ended 31 December 2020 After adjustment**	**Year ended 31 December 2019 Originally presented**	**Change**	**Year ended 31 December 2019 Restated**
Fair value gains on investment properties — net	677,900	659	678,559	746,215	8,548	754,763
Fair value losses on convertible bonds — net	(699,567)	(102,525)	(802,092)	(55,833)	18,101	(37,732)
Other gains/(losses) — net	110,718	318,325	429,043	13,242	(147,160)	(133,918)
Operating profit	**581,630**	**216,459**	**798,089**	**1,126,031**	**(120,511)**	**1,005,520**
Finance costs — net	**(368,293)**	**(84,292)**	**(452,585)**	**(499,192)**	**46,614**	**(452,578)**
Profit for the year	**(65,547)**	**132,167**	**66,620**	**423,142**	**(73,897)**	**349,245**
Other comprehensive income	**—**	**(132,167)**	**(132,167)**	**—**	**73,897**	**73,897**
Total comprehensive income	**(65,547)**	**—**	**(65,547)**	**423,142**	**—**	**423,142**
Earnings per share for profit attributable to owners of the Company (expressed in RMB)						
— Basic	(0.0338)		0.0070	0.1024		0.0795
— Diluted	(0.0338)		0.0070	0.1023		0.0795

3 Revenue

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Rental income	**550,008**	546,001
Revenue from providing property management services (a)	**247,516**	164,908
Others	**1,113**	1,597
	798,637	712,506

(a) Unsatisfied property management services

The following table shows unsatisfied performance obligations of property management services resulting from related long-term contracts.

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term property management services that are partially or fully unsatisfied as at 31 December	**923,635**	447,782

Management expects that approximately 32% of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognized as revenue during 2021, and approximately 23% will be recognized as revenue during 2022. The remaining approximately 45% will be recognized during financial years starting from 2022. The amount disclosed above does not include variable consideration which is constrained.

(b) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Contract liabilities		
— Property management services	**12,804**	7,937

(i) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
— Property management services	**7,937**	7,070

4 Expenses by nature

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Property tax, land tax and other tax charges	**106,593**	99,288
Employee benefit expenses — including directors' emoluments	**59,002**	54,923
Professional fees	**41,088**	28,701
Maintenance and repairing costs	**41,589**	35,296
Depreciation of right-of-use assets	**28,976**	33,263
Depreciation of property, plant and equipment	**17,111**	16,421
Leasing commission	**12,348**	12,366
Utilities and office expenses	**7,771**	7,035
Travelling expenses	**4,290**	4,909
Auditor's remuneration		
— Audit services	**3,600**	3,600
— Non-audit services	**1,000**	1,000
Insurance expenses	**3,369**	3,205
Leasing fees	**2,889**	2,671
Entertainment expenses	**2,206**	2,744
Bank charges	**636**	606
Covid-19-related rent concessions	**(2,785)**	—
Other expenses	**2,282**	1,882
Total cost of sales, selling and marketing expenses and administrative expenses	**331,965**	307,910

5 Finance expenses — net

	Year ended 31 December 2020 RMB'000	2019 RMB'000 *Restated*
Finance expenses		
Interest on bank borrowings	**(269,904)**	(241,556)
Interest on borrowings from other financial institutions	**(10,585)**	(35,415)
Interest on senior notes	**(256,105)**	(295,415)
Interest on Asset-backed medium-term notes ("ABN") and Commercial mortgage backed securities ("CMBS")	**(44,545)**	(21,076)
Interest expense on lease liabilities	**(17,850)**	(19,622)
	(598,989)	(613,084)
Less: Capitalization of interest (Note 9)	**138,747**	142,885
Net interest expenses	**(460,242)**	(470,199)
Transaction cost of convertible bonds	**(28,060)**	(11,685)
	(488,302)	(481,884)
Finance income		
Exchange gains	**12,087**	5,897
Interest income on bank deposits	**23,630**	23,409
	35,717	29,306
Net finance expenses	**(452,585)**	(452,578)

6 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	
	2020	2019
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the year	**13,190**	9,046
Capital gain tax (a)	**35,335**	19,907
Withholding tax (b)	**—**	3,930
Adjustments for current tax of prior periods	**(2,519)**	(360)
Total current tax expense	**46,006**	32,523
Deferred income tax	**242,798**	259,749
Income tax expense	**288,804**	292,272

(i) Cayman Islands profits tax

The Company has not been subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% for the assessable profits for the year.

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

CIT is provided at the rate of 25% (2019: 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.

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	
	2020	2019
	RMB'000	*RMB'000*
		Restated
Profit before tax	**355,424**	641,517
Tax calculated at domestic tax rates applicable to profits in the respective countries	**262,233**	262,785
Tax effects of:		
— Expenses not deductible for tax purpose	**443**	365
— Income not subject to tax	**(2,032)**	(5,928)
— Tax losses for which the deferred income tax asset was not recognized	**18,761**	21,081
— Utilization of previously unrecognized tax losses	**(23,417)**	(9,508)
— Capital gain tax on disposal of subsidiaries (a)	**35,335**	19,907
— Withholding tax (b)	**—**	3,930
— Adjustments for current tax of prior periods	**(2,519)**	(360)
Tax charge	**288,804**	292,272

During the year ended 31 December 2020, the effective tax rate is 81.3% (2019: 45.6%).

(a) Save as disclosed in the consolidated financial statements, the Group sold about 90% of total equity interest in certain project companies to LaSalle in 2020 and 70% of total equity interest in certain project companies to LaSalle in 2019, respectively. The transfer of equity interest was subject to a 10% capital gain tax. The filing of such equity transfer transaction was completed with relevant capital gain tax paid in 2020 and 2019, respectively.

(b) During the year ended 31 December 2020, certain subsidiaries of the Group established in the PRC have entered into loan agreements with subsidiaries establish in Hong Kong. Interest income earned by Hong Kong subsidiaries is subject to withholding income tax.

7 Earnings per share

(a) Basic

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

	Year ended 31 December	
	2020	2019
		Restated
Profit attributable to equity owners of the Company (RMB'000)	**22,835**	257,192
Weighted average number of ordinary shares in issue	**3,239,406,046**	3,233,647,439
Basic earnings per share (RMB per share)	**0.0070**	0.0795

(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	
	2020	2019
		Restated
Profit attributable to equity owners of the Company (RMB'000)	**22,835**	257,192
Weighted average number of ordinary shares in issue	**3,239,406,046**	3,233,647,439
Adjustment for shares granted under share option scheme	**963,529**	3,273,242
Weighted average number of ordinary shares for diluted earnings per share	**3,240,369,575**	3,236,920,681
Diluted earnings per share (RMB per share)	**0.0070**	0.0795

During the year ended 31 December 2020, the Group's convertible bonds were anti-dilutive and, accordingly, were excluded from the computation of diluted earnings per share.

8 Dividends

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2020 (31 December 2019: Nil).

9 Investment properties

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
		Restated
At fair value		
At beginning of the year	**19,399,000**	17,039,000
Capitalized subsequent expenditure on completed investment properties	**177,044**	295,450
Capitalized expenditure on investment properties under construction	**1,516,397**	1,653,261
Disposal of subsidiaries	**(1,140,000)**	(343,474)
Other disposal	**(342,000)**	—
Net gains from fair value adjustment	**678,559**	754,763
At end of the year	**20,289,000**	19,399,000

During the year ended 31 December 2020, the Group has capitalized borrowing costs amounting to RMB138,747,000 (31 December 2019: RMB142,885,000) on investment properties under construction (Note 5). Borrowing costs were capitalized at the weighted average rate of its general borrowings of 6.5% (31 December 2019: 6.6%).

At 31 December 2020, investment properties of the Group with a total fair value amounting to RMB18,261,000,000 (31 December 2019: RMB15,517,000,000) were pledged as collateral mortgaged for bank borrowings (Note 13).

As at this report date, the title certificates of certain investment properties with a total fair value of RMB1,177,000,000 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 2020 and 2019. The revaluation gains or losses are included in "Fair value gains on investment properties — net" in the consolidated statement of comprehensive income.

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

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

10 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
Rental income receivables from third parties (i)	**24,483**	8,638
Rental income receivables from related parties (i)	**31,341**	1,890
	55,824	10,528
Other receivables		
Other receivables for land use rights and other deposits (ii)	**44,954**	38,304
Other receivables due from related parties	**27,198**	34,449
Other receivables for relocation compensation	**36,029**	—
Other receivables for unpaid consideration for disposal of subsidiaries	**7,200**	12,217
Other receivables due from other third parties	**2,790**	3,024
	118,171	87,994
Less: Loss allowance for trade receivables	**(2,112)**	(589)
Loss allowance for other receivables	**(6,622)**	(6,622)
	(8,734)	(7,211)
	165,261	91,311

(i) As at 31 December 2020, trade receivables of RMB21,513,000 (31 December 2019: RMB852,000) (Note 13) were pledged as collateral for the bank borrowings.

(ii) As at 31 December 2020, guarantee deposits of RMB4,400,000 (31 December 2019: Nil) (Note 13) were paid to a certain financial institution as collateral for borrowings.

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

As at 31 December 2020 and 2019, 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	
	2020	2019
	RMB'000	*RMB'000*
Up to 30 days	**19,153**	8,171
31 to 90 days	**17,535**	1,224
91 to 365 days	**17,995**	685
Over 365 days	**1,141**	448
	55,824	10,528

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

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. This resulted in an increase of the loss allowance on both 31 December 2019 and 2020.

(b) Prepayments

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current portion of prepaid taxes other than income tax	**87,677**	73,455
Prepaid interests of ABN	**11,733**	—
Prepayments for utilities	**9,881**	15,641
Prepaid income taxes	**2,200**	1,926
	111,491	91,022

11 Share capital and premium

(a) Authorized shares

	Number of authorized shares
At 1 January 2019 and 31 December 2019	8,000,000,000
At 1 January 2020 and 31 December 2020	**8,000,000,000**

(b) Issued shares

	Number of issued shares	Ordinary shares *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2019	3,245,277,999	1,325	—	6,458,982	6,460,307
Employee share option scheme					
— Exercise of options	2,491,000	1	—	7,264	7,265
Repurchase of shares (i)	—	—	(25,183)	—	(25,183)
Cancellation of shares (i)	(13,576,000)	(6)	25,183	(25,177)	—
At 31 December 2019	3,234,192,999	1,320	—	6,441,069	6,442,389
At 1 January 2020	**3,234,192,999**	**1,320**	**—**	**6,441,069**	**6,442,389**
Employee share option scheme					
— Exercise of options	**5,670,000**	**2**	**—**	**18,133**	**18,135**
Repurchase of shares (ii)	**—**	**—**	**(97,533)**	**—**	**(97,533)**
Conversion of the convertible bonds	**14,420,059**	**6**	**—**	**49,543**	**49,549**
At 31 December 2020	**3,254,283,058**	**1,328**	**(97,533)**	**6,508,745**	**6,412,540**

(i) The Company repurchased 13,576,000 ordinary shares of its own through The Stock Exchange of Hong Kong Limited from 17 January 2019 to 25 January 2019. The total amount paid to repurchase the shares was RMB25,183,000 and has been deducted from shareholders' equity. The Company cancelled the shares on 8 February 2019. The amount of share capital and share premium was deducted accordingly.

(ii) Pursuant to the 2020 share award scheme approved by the Board on 31 March 2020, the Company may, from time to time, at its absolute discretion, select and grant share awards to selected participant which are to be satisfied by the new shares to be subscribed or the existing shares purchased by the Core Trust Company Ltd. (the "Trustee") under the agreement that the Company and the Trustee entered into on 31 March 2020. As of 31 December 2020, The Trustee, on behalf of the Company, has repurchased 36,513,000 ordinary shares with total amount of RMB97,533,000.

12 Other reserves

	Reorganization reserve *RMB'000*	Statutory reserves *RMB'000*	Share-based payments *RMB'000*	Deemed contribution from equity holders *RMB'000*	Currency translation differences *RMB'000* *Restated*	Total *RMB'000* *Restated*
At 31 December 2018	10,461	6,430	17,991	139,716	176	174,774
Change in accounting policy — change of functional currency	—	—	—	—	(672,102)	(672,102)
At 1 January 2019, restated	10,461	6,430	17,991	139,716	(671,926)	(497,328)
Employee share option scheme						
— Value of employee service	—	—	(578)	—	—	(578)
— Exercise of share options	—	—	(3,722)	—	—	(3,722)
Appropriation to statutory reserves (i)	—	2,287	—	—	—	2,287
Currency translation differences	—	—	—	—	73,897	73,897
Deemed contribution from non-controlling interests	—	—	—	16,720	—	16,720
At 31 December 2019, restated	10,461	8,717	13,691	156,436	(598,029)	(408,724)
At 31 December 2019, restated	**10,461**	**8,717**	**13,691**	**156,436**	**(598,029)**	**(408,724)**
Employee share option scheme	**—**	**—**	**—**	**—**	**—**	**—**
— Exercise of share options	**—**	**—**	**(10,079)**	**—**	**—**	**(10,079)**
Appropriation to statutory reserves (i)	**—**	**3,590**	**—**	**—**	**—**	**3,590**
Currency translation differences	**—**	**—**	**—**	**—**	**(132,167)**	**(132,167)**
At 31 December 2020	**10,461**	**12,307**	**3,612**	**156,436**	**(730,196)**	**(547,380)**

(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.

13 Borrowings

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Non-current		
Long-term bank borrowings		
— secured by assets (a)	**3,321,126**	4,075,632
— secured by assets and equity interest of certain subsidiaries (b)	**1,387,676**	—
— secured by equity interest of certain subsidiaries (c)	**—**	50,000
Senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (e)	**1,066,083**	2,790,063
Long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries (f)	**350,070**	—
ABN		
— secured by assets (g)	**448,160**	448,272
CMBS		
— secured by assets (h)	**477,840**	—
	7,050,955	7,363,967
Less: Long-term bank borrowings due within one year	**(675,074)**	(446,404)
Long-term borrowings from other financial institutions due within one year	**(72,521)**	—
Senior notes due within one year	**(91,912)**	(1,673,447)
ABN due within one year	**(415)**	(554)
	6,211,033	5,243,562
Current		
Short-term bank borrowings		
— unsecured (d)	**50,000**	20,000
Current portion of long-term bank borrowings		
— secured by assets (a)	**544,378**	446,404
— secured by assets and equity interest of certain subsidiaries (b)	**130,696**	—
Current portion of senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (e)	**91,912**	1,673,447
Current portion of long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries (f)	**72,521**	—
Current portion of ABN		
— secured by assets (g)	**415**	554
	889,922	2,140,405
Total borrowings	**7,100,955**	7,383,967

(a) As at 31 December 2020, bank borrowings of RMB2,217,349,000 (31 December 2019: RMB3,514,085,000) with undrawn borrowings amounting to RMB717,978,000 (31 December 2019: RMB376,500,000) were secured by the investment properties of the Group amounting to RMB8,723,000,000 (31 December 2019: RMB13,029,000,000) (Note 9).

As at 31 December 2020, bank borrowings of RMB298,320,000 (31 December 2019: RMB298,620,000) were secured by restricted deposits of the Group amounting to RMB300,000,000 (31 December 2019: RMB300,000,000).

As at 31 December 2020, bank borrowings of RMB487,647,000 (31 December 2019: RMB190,661,000) with undrawn borrowing amounting to RMB11,500,000 (31 December 2019: Nil) were secured by the investment properties of the Group amounting to RMB1,562,000,000 (31 December 2019: RMB684,000,000) (Note 9), trade receivables amounting to RMB10,313,000 (31 December 2019: RMB370,000)(Note 10), and the rental income generated from the lease of the investment properties during the terms of the borrowings (31 December 2019: secured by the rental income).

As at 31 December 2020, bank borrowings of RMB253,654,000 (31 December 2019: RMB72,266,000) were secured by the investment properties of the Group amounting to RMB715,000,000 (31 December 2019: RMB341,000,000) (Note 9), trade receivables amounting to RMB352,000 (31 December 2019: RMB300,000) (Note 10), the rental income generated from the lease of the investment properties during the terms of the borrowings 31 December (31 December 2019: secured by the rental income), and restricted deposits of the Group amounting to RMB20,000,000 (31 December 2019: RMB7,000,000).

As at 31 December 2020, bank borrowings of RMB64,156,000 (31 December 2019: Nil) were secured by the investment properties of the Group amounting to RMB508,000,000 (31 December 2019: Nil) (Note 9) and restricted deposits of the Group amounting to RMB8,500,000 (31 December 2019:Nil).

(b) As at 31 December 2020, bank borrowing of RMB913,473,000 (31 December 2019: Nil) was secured by the investment properties of the Group amounting to RMB2,001,000,000 (31 December 2019: Nil) (Note 9) and the Group's equity interests in certain subsidiaries (31 December 2019: Nil).

As at 31 December 2020, bank borrowings of RMB474,203,000 (31 December 2019: Nil) with undrawn borrowing amount to RMB29,200,000 (31 December 2019: Nil) were secured by the investment properties of the Group amounting to RMB 1,311,000,000 (31 December 2019: Nil) (Note 9), trade receivables amounting to RMB685,000 (31 December 2019: Nil) (Note 10), the rental income generated from the lease of the investment properties during the terms of the borrowings (31 December 2019: Nil), and the Group's equity interests in certain subsidiaries (31 December 2019: Nil).

(c) As at 31 December 2019, bank borrowings of RMB50,000,000 were secured by the Group's equity interests in certain subsidiaries. The bank borrowings were repaid in 2020.

(d) As at 31 December 2020, bank borrowings of RMB50,000,000 (31 December 2019: RMB20,000,000) were unsecured.

(e) On 8 August 2017, 14 September 2017 and 28 December 2017, the Company issued US$ denominated senior fixed rate notes (the "2017 Notes") in the principal amount of US$100,000,000 respectively, and the aggregate amount of which was US$300,000,000 in total, with the mature date of 8 August 2020, unless earlier redeemed in accordance with the terms thereof. The 2017 Notes bear interest at a rate of 8% per annum payable semi-annually.

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

On 5 November 2020, the Company further announced to offer to exchange the 2019 Exchange Notes for the new notes issued by the Company upon the terms and subject to the conditions set forth in the exchange offer and consent solicitation memorandum (the "2020 Exchange Offer"). The 2020 Exchange Offer was completed on 18 November 2020, with an aggregate principal amount of US$150,000,000 of new exchange notes (the "2020 Exchange Notes") issued by the Company. The 2020 Exchange Notes is secured by guarantees provided by certain subsidiaries of the Group. The 2020 Exchange Notes will mature on 18 November 2022, unless earlier redeemed in accordance with the terms thereof, with an interest rate of 8.75% per annum payable semi-annually.

On 8 August 2020, the Company redeemed the remaining principal of 2017 Notes in the amount of US$139,200,000.

On 30 November 2018, the Company issued US$ denominated senior fixed rate notes (the "2018 November Notes") in the principal amount of US$104,000,000. The 2018 November Notes is secured by guarantees and pledges provided by certain subsidiaries of the Group. The 2018 November Notes were matured on 30 November 2020, unless earlier redeemed in accordance with the terms thereof, with an interest rate of 10.5% per annum payable semi-annually.

On 30 November 2020, the Company redeemed the 2018 November Notes.

(f) As at 31 December 2020, borrowings from other financial institutions of RMB350,070,000 (31 December 2019: Nil) were secured by the investment properties of the Group amounting to RMB874,000,000 (31 December 2019: Nil) (Note 9), trade receivables amounting to RMB4,698,000 (31 December 2019: Nil) (Note 10), the rental income generated from the lease of the investment properties during the terms of the borrowings, guarantee deposits amounting to RMB4,400,000 (31 December 2019: Nil) (Note10), and the Group's equity interests in certain subsidiaries (31 December 2019: Nil).

(g) On 24 June 2019, the Company's subsidiary — Shanghai Yupei Group Co., Ltd. ("Shanghai Yupei") issued ABN in the principal amount of RMB650,000,000, among which RMB200,000,000 were repurchased by Shanghai Yupei. The borrowers of the ABN are 2 project subsidiaries of the Group with their investment properties amounting to RMB1,497,000,000 (31 December 2019: RMB1,463,000,000) (Note 9), trade receivables amounting to RMB888,000 (31 December 2019: RMB182,000) (Note 10), as well as the rental income generated from the lease of the investment properties during the terms of ABN pledged as collaterals for the ABN (31 December 2019: secured by the rental income). Shanghai Yupei and the Company also provided guarantees for the ABN. The ABN will mature on 24 June 2037, unless earlier redeemed in accordance with the terms thereof. The ABN bear interest from and including 24 June 2019 at a rate of 7.3% per annum, and both principal and interest are payable quarterly.

(h) On 7 August 2020, the Company's subsidiary — Shanghai Yupei issued commercial mortgage backed securities (the "CMBS") in the principal amount of RMB530,000,000, among which RMB30,000,000 were repurchased by Shanghai Yupei. The borrowers of the CMBS are 2 project subsidiaries of the Group with their investment properties amounting to RMB1,070,000,000 (31 December 2019: Nil) (Note 9), trade receivables amounting to RMB4,577,000 (31 December 2019: Nil) (Note 10), rental income generated from the lease of the investment properties during the terms of CMBS pledged as collaterals for the CMBS (31 December 2019: Nil). Shanghai Yupei and the Company also provided guarantees for the CMBS. The CMBS will mature on 4 May 2038 unless earlier redeemed in accordance with the terms thereof. The CMBS bear interest at a rate of 4.15% per annum, and both principal and interest are payable quarterly.

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 2020 and 2019, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	**5,923,949**	4,593,904
US$	**1,177,006**	2,790,063
	7,100,955	7,383,967

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Floating rate:		
— Expiring over one year	**717,978**	376,500
Fixed rate:		
— Expiring over one year	**40,700**	—
	758,678	376,500

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

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

As at 31 December 2020 and 2019, the Group's borrowing were repayable as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**889,922**	2,140,405
Between 1 and 2 years	**2,009,408**	1,820,148
Between 2 and 5 years	**1,713,998**	1,684,444
Over 5 years	**2,487,627**	1,738,970
	7,100,955	7,383,967

As at 31 December 2020, borrowings of RMB3,467,344,000 (31 December 2019: RMB4,741,862,000) 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	
	2020	2019
	RMB'000	*RMB'000*
6 months or less	**1,413,302**	1,537,434
6 to 12 months	**2,713,174**	2,696,923
1 to 5 years	**2,030,558**	2,256,211
Over 5 years	**943,921**	893,399
	7,100,955	7,383,967

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

	As at 31 December	
	2020	2019
RMB	**5.9%**	6.0%
US$	**11.2%**	10.1%

14 Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
		Restated
Payables for construction costs	**110,924**	166,896
Rental deposits and other deposits payable to third parties	**54,089**	26,194
Prepaid rents from third parties	**21,431**	20,352
Rental deposits payable to related parties	**32,574**	29,057
Accrued operating expenses	**28,972**	20,542
Interest payable	**28,031**	78,820
Advances from a related party	**23,295**	—
Other taxes payable	**26,675**	24,343
Employee benefit payables	**11,209**	11,396
Prepaid rents from related parties	**11,012**	22,289
Contract termination compensation	**4,000**	—
Payables for commission fees and other expenses related to issuance of senior notes	**3,330**	9,699
Payables for commission fees and other expenses related to issuance of convertible bonds	**2,127**	—
Payables for land use rights commission fee	**2,367**	11,342
Others	**468**	—
	360,504	420,930

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Up to 1 year	**103,553**	142,108
1 year to 2 years	**5,139**	23,474
Over 2 years	**2,232**	1,314
	110,924	166,896

15 Convertible bonds

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
		Restated
At 1 January	**996,259**	—
Issuance (i)	**657,025**	975,034
Conversion (ii)	**(49,549)**	—
Payment of interest	**(66,800)**	(34,608)
Currency translation differences	**(102,524)**	18,101
Fair value change	**802,092**	37,732
At 31 December	**2,236,503**	996,259

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

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

On 23 November 2020, the Company issued HK$ denominated convertible bonds (the "**2020 Convertible Bonds**") in the principal amount of HK$775,050,000. The 2020 Convertible Bonds are secured by guarantees provided by certain subsidiaries of the Group. The 2020 Convertible Bonds will mature on 23 November 2025, unless earlier redeemed, converted or purchased and cancelled in accordance with the terms thereof. The 2020 Convertible Bonds bear interest at a rate of 6.95% per annum payable semi-annually in arrears on 23 May and 23 November of each year, commencing on 23 May 2021.

(ii) During the year ended 31 December 2020, part of the 2019 Convertible Bonds were converted into 14,420,059 ordinary shares of the Company at the conversion price of HK$3.19. The total amount of share capital and premium increased was RMB49,549,000 (Note 11(b)), which was based on the fair values of the 2019 convertible Bonds converted at each conversion dates.

The Group has designated the 2020 and 2019 Convertible Bonds as financial liabilities at fair value through profit or loss. The 2020 and 2019 Convertible Bonds are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income in the period in which they arise.

The valuations for the fair values of the 2020 and 2019 Convertible Bonds at 31 December 2020 and 2019 were carried out by an independent external valuer.

The valuer adopted the Black-Scholes model framework and Multi-Assets Monte Carlo Simulation to determine the fair values of the 2020 and 2019 Convertible Bonds. The key inputs used in the valuation methods are listed as below:

	As at 31 December		
	2020		2019
	2019 Convertible Bonds	**2020 Convertible Bonds**	2019 Convertible Bonds
Conversion price	**HK$3.19**	**HK$3.19**	HK$3.19
Stock price	**HK$4.54**	**HK$4.54**	HK$3.03
Stock price volatility	**34.18%**	**35.35%**	37.73%
The average volume-weighted average price ("**VWAP**")	**HK$4.43**	**HK$4.43**	HK$3.00
VWAP volatility	**30.53%**	**32.54%**	34.70%
Coupon rate	**6.95%**	**6.95%**	6.95%
Effective interest rate	**35.62%**	**35.34%**	18.76%
Expected dividend yield	**0.00%**	**0.00%**	0.00%
Risk free rate	**0.38%**	**0.47%**	1.98%

The fair value of the 2019 Convertible Bonds at 31 December 2020 is HK$1,521,279,000 (equivalent to RMB1,280,370,000).

Were the effective interest rate used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2019 Convertible Bonds at 31 December 2020 would be approximately RMB2,267,000 lower or RMB2,712,000 higher. Were the stock price volatility and VWAP volatility used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2019 Convertible Bonds at 31 December 2020 would be approximately RMB1,067,000 higher or RMB178,000 lower.

The fair values of the 2020 Convertible Bonds at 31 December 2020 is HK$1,136,036,000 (equivalent to RMB956,133,000).

Were the effective interest rate used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2020 Convertible Bonds at 31 December 2020 would be approximately RMB4,205,000 lower or RMB4,407,000 higher. Were the volatility and VWAP volatility used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2020 Convertible Bonds at 31 December 2020 would be approximately RMB3,709,000 higher or RMB3,301,000 lower.

BUSINESS REVIEW AND OUTLOOK

Business Overview

As at 31 December 2020, the Company had 176 logistics facilities in operation in 37 logistics parks, located in logistics hubs in 19 provinces or centrally administered municipalities.

The Group expanded its network of logistics facilities to cope with the growing demand for premium logistics facilities in China and was therefore able to grow its revenue by 12.1% from RMB712.5 million in 2019 to RMB798.6 million in 2020. The Group's gross profit increased from RMB546.7 million in 2019 to RMB618.3 million in 2020.

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 2020:

	As at 31 December	
	2020	2019
Completed GFA:		
Stabilized logistics parks (million sq.m.)[(1)]	**2.8**	2.8
Pre-stabilized logistics parks (million sq.m.)[(2)(3)]	**0.8**	0.6
Total (million sq.m.)	**3.6**	3.4
Logistics parks under development or being repositioned (million sq.m.)	**0.4**	0.6
Land held for future development (million sq.m.)	**0.4**	0.6
Investments accounted for using equity method (million sq.m.)	**0.6**	0.3
Total GFA (million sq.m.)	**5.0**	4.9
Investment projects (million sq.m.)[(4)]	**3.8**	4.6
Occupancy rate for stabilized logistics parks (%)[(1)]	**90.2**	90.3

(1) Logistics facilities (i) that had been in operation for more than 12 months as at 31 December 2020 or 2019 (as the case may be) or (ii) reached an occupancy rate of 90%.

(2) Logistics facilities (i) that had been completed and in operation for less than 12 months as at 31 December 2020 or 2019 (as the case may be) and (ii) reached an occupancy rate less than 90%.

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

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

In November 2020, the Company successfully issued convertible bonds with an aggregate principal amount of HK$775,050,000 at the rate of 6.95% due 2025. Approximately US$89.5 million of the proceeds from the issuance of the convertible bonds had been used to repay in full of the November 2020 Notes in the principal amount of US$100,000,000. The remaining proceeds were fully used to apply towards the Company's general corporate purposes and the interest payment of the 2019 Convertible Bonds. For further details, please refer to the announcements of the Company dated 29 June 2020, 7 July 2020, 31 July 2020, 19 November 2020 and 23 November 2020 and the circular of the Company dated 27 July 2020.

BREAKDOWN OF INVESTMENT PROPERTIES

Completed Logistics Parks

The following table sets forth a summary of all the Group's completed and stabilized logistics parks as at 31 December 2020, together with the valuation of such logistics parks:

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Beijing Yupei Linhaitan Logistics Park, East Zhanggezhuang Village, Yongledian Town, Tongzhou District, Beijing, PRC	83,329	Logistics Facilities	Yes	769	**804**
Shanghai Yuhang Huangdu Logistics Park, No. 1000 Xiechun Road, Jiading District, Shanghai, PRC	35,083	Logistics Facilities	Yes	187	**273**
Suzhou Yupei Logistics Park, N. 28 Hengxinjing Road, Zhoushi Town, Kunshan, Jiangsu Province, PRC	118,613	Logistics Facilities	Yes	860	**894**
Wuhan Yupei Hannan Logistics Park, Wujin Industrial Park, Dongjing Street, Hannan District, Wuhan, Hubei Province, PRC	73,098	Logistics Facilities	Yes	338	**332**
Shenyang Yupei Shenbei Logistics Park, No. 10 Hongye Street, Shenyang North New Area, Shenyang, Liaoning Province, PRC	84,621	Logistics Facilities	Yes	388	**386**

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Shenyang Yupei Economic & Technological Development Zone Logistics Park, No. 17 Shenxi Jiudong Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning Province, PRC	40,262	Logistics Facilities	Yes	175	**171**
Zhengzhou Yupei Huazhengdao Logistics Park, East of Yitong Street, South of Xida Road, West of Litong Street and North of Wuliu Avenue, Zhengzhou, Henan Province, PRC	31,166	Logistics Facilities	Yes	172	**176**
Chuzhou Yuhang Logistics Park Phase I & II, No. 8 Huayuan West Road, Langya District, Chuzhou, Anhui Province, PRC	63,568	Logistics Facilities	Yes	225	**222**
Wuhu Yupei Logistics Park, Sanshan District Logistics Park, Sanshan District, Wuhu, Anhui Province, PRC	90,304	Logistics Facilities	Yes	297	**297**
Zhengzhou Yupei Logistics Park, South of Gucheng South Road, West of Jinsha Avenue, North of Xida Road, East of Litong Road, Zhongmu County, Zhengzhou, Henan Province, PRC	112,081	Logistics Facilities	Yes	620	**633**
Tianjin Yupei Logistics Park, Southwestern corner of Xiangjiang Avenue and Bohai 26th Road, Tianjin Harbor Economic Area, Binhai New District, Tianjin, PRC	96,407	Logistics Facilities	Yes	504	**508**

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Hefei Yuhang Logistics Park, Southeastern corner of Donghua Road and Xinhua Road, Cuozhen Town, Feidong County, Hefei, Anhui Province, PRC	56,014	Logistics Facilities	Yes	292	**301**
Suzhou Yuqing Logistics Park, No. 8 Datong Road, Suzhou New District, Suzhou, Jiangsu Province, PRC	171,108	Logistics Facilities	Yes	1,101	**1,124**
Changchun Yupei Logistics Park, Hangkong Street, North Area of Changchun National Hi-Tech Industrial Development Zone, Changchun, Jilin Province, PRC	63,347	Logistics Facilities	Yes	282	**282**
Chengdu Yuhang Logistics Park, No. 9 Minsheng Road, Xiangfu Town, Qingbaijiang District, Chengdu, Sichuan Province, PRC	113,132	Logistics Facilities	Yes	580	**585**
Wuxi Yupei Logistics Park — Phase I, Northwestern corner of Zoumatang West Road and Yongjun Road, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	61,609	Logistics Facilities	Yes	297	**310**
Jiaxing Yupei Logistics Park, West of Sidian Gang, North of Xinchang Road, Nanhu District, Jiaxing, Zhejiang Province, PRC	130,874	Logistics Facilities	Yes	777	**787**
Changzhou Yupei Logistics Park, No. 1281 Huanghe West Road, Xinbei District, Changzhou, Jiangsu Province, PRC	82,712	Logistics Facilities	Yes	350	**359**

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Nantong Yupei Logistics Park, Northeastern corner of Dongfang Avenue and Wei 18th Road, Nantong Sutong Science & Technology Park, Nantong, Jiangsu Province, PRC	41,449	Logistics Facilities	Yes	156	**162**
Suzhou Yuzhen Logistics Park, Northwestern corner of Wenchang Road and National Road 312, Suzhou New District, Suzhou, Jiangsu Province, PRC	175,434	Logistics Facilities	Yes	1,075	**1,111**
Harbin Yupei Logistics Park, East of Songhua Road, South of New Holland Co., Ltd, Harbin, Heilongjiang Province, PRC	80,948	Logistics Facilities	Yes	341	**337**
Wuxi Yupei Logistics Park — Phase II, Northeastern corner of Yongjun Road and Xidong Avenue, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	124,392	Logistics Facilities	Yes	587	**610**
Huai’an Yupei Logistics Park, No. 6 Kaixiang Road, Huai’an Economic & Technological Development Zone, Huai’an, Jiangsu Province, PRC	57,689	Logistics Facilities	Yes	192	**199**
Zhaoqing Yupei Logistics Park, Mafang Development Zone, Dasha Town, Sihui, Zhaoqing, Guangdong Province, PRC	104,857	Logistics Facilities	Yes	571	**579**
Dalian Yupei Logistics Park Phase I, East of Gaoxinyuan 10th Road, North of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC	139,785	Logistics Facilities	Yes	538	**538**

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Xianyang Yupei Logistics Park, North of Xinyuan Road and East of Weidong Road, Xianyang, Shaanxi Province, PRC	112,731	Logistics Facilities	Yes	561	**579**
Yupei Zhoushan E-commerce Logistics Industrial Park, Xingang Park, Zhoushan Economic Development Zone, Zhoushan, Zhejiang Province, PRC	91,057	Logistics Facilities	Yes	357	**357**
Kunming Yupei Logistics Park, Macheng Road, Chenggong District, Kunming, Yunnan Province, PRC	102,454	Logistics Facilities	Yes	472	**501**
Wuxi Yupei Logistics Park Phase III, Southwestern corner of Yongjun Road and Zoumatang West Road, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	201,023[(1)]	Logistics Facilities	Yes	940	**976**
Luohe Yupei Logistics Park, North of Xinluoshang Road and West of Yushan Road, Zhaoling District, Luohe, Henan Province, PRC	58,804	Logistics Facilities	Yes	—	**214**
Total	**2,797,951**			14,004	**14,607**

Note:

(1) As recorded in the real property ownership certificate obtained as at 31 December 2020.

The following table sets forth a summary of all the Group's completed and pre-stabilized projects as at 31 December 2020, together with the valuation of such projects:

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Chongqing Yupei Xipeng Logistics Park, No. 9 Yongping Road, Xipeng Town, Jiulongpo District, Chongqing, PRC	151,443[(1)]	Logistics Facilities	Yes	720	**715**
Zhoushan Yuhang Industrial Park, Dongsheng Community, Ganlan Town, Dinghai District, Zhoushan, Zhejiang Province, PRC	25,801	Logistics Facilities	Yes	110	**104**
Dalian Yupei Logistics Park Phase II, East of Gaoxinyuan 12th Road, North of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC	74,297[(1)]	Logistics Facilities	Yes	292	**289**
Changsha Yupei Logistics Park, at the Intersection of Yuelu Avenue and Heye Road, Yuelu District, Changsha, Hunan Province, PRC	119,843[(1)]	Logistics Facilities	Yes	628	**647**
Jinan Yuzhen Logistics Park, South of Gangyuan 6th Road, West of Gangxing 1st Road and North of Gangyuan 7th Road, Jinan Comprehensive Free Trade Zone, Jinan, Shandong Province, PRC	125,802	Logistics Facilities	Yes	301	**601**

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Guiyang Yupei Logistics Park, Northwestern corner of Huayan Road and extension section of Guhuai Road, Huaxi District, Guiyang, Guizhou Province, PRC	178,847	Logistics Facilities	Yes	421	**762**
Qingdao Yuhang Logistics Park, North of Zongbao First Road, Jiaodong Air Economic Demonstrative Zone, Qingdao, Shandong Province, PRC	99,152	Logistics Facilities	Yes	120	**415**
Total	**775,185**			2,592	**3,533**

Note:

(1) As recorded in the real property ownership certificate obtained as at 31 December 2020.

Logistics Parks Under Development

The following table sets forth the overview of the Group's logistics parks under development as at 31 December 2020, together with the valuation of such logistics parks:

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Yuyao Yupei Logistics Park, Sino-Italy Ningbo Ecological Park, Yuyao, Zhejiang Province, PRC	164,788	Logistics Facilities	Yes	141	**448**
Bengbu Yupei Logistics Park, West of Daqing North Road and North of Huaishang Avenue, Huaishang District, Bengbu, Anhui Province, PRC[1]	59,480	Logistics Facilities	Yes	—	**167**
Nanning Yupei Logistics Park, South of Youyi Road and East of No. 5 Road, Wuyu Town, Nanning, Guangxi Province, PRC[1]	70,540	Logistics Facilities	Yes	—	**112**
Nanchang Yupei Logistics Park, West of Yanhe Road and North of Tianxiang Avenue, Nanchang Hi-tech Industrial Development Zone, Nanchang, Jiangxi Province, PRC[1]	116,046	Logistics Facilities	Yes	75	**215**
Total	**410,854**			216	**942**

Note:

(1) New logistic park under development in 2020.

Land Held for Future Development

The table below sets forth the overview of the Group's land held for future development as at 31 December 2020, together with the valuation of such projects:

Logistics Parks	**Total GFA as at 31 December 2020** *(sq.m.)*	**Use**	**Granted with land use rights by the PRC government**	Property Valuation as at 31 December 2019 *(in RMB million)*	**Property Valuation as at 31 December 2020** ***(in RMB million)***
Shanghai Yupei Qingyang Logistics Park, East of Waiqingsong Highway, Qingpu District, Shanghai, PRC	67,593	Logistics Facilities	Yes	240	**253**
Shanghai Yuzai Logistics Park, Xuanqiao Town, Nanhui Industrial Zone, Pudong New District, Shanghai, PRC	108,599	Logistics Facilities	Yes	378	**397**
Shanghai Yupei Jinshan Logistics Park, Southwestern corner of Rongdong Road and Rongtian Road, Jinshan District, Shanghai, PRC	72,171	Logistics Facilities	Yes	212	**220**
Shanghai Yuji Logistics Park, No. 99 Jiangong Road, Fengjing Town, Jinshan District, Shanghai, PRC	175,345	Logistics Facilities	Yes	325	**337**
Total	**423,708**			1,155	**1,207**

Industry Overview

In 2020, the sudden COVID-19 outbreak has brought an unprecedented hit to the global economy. In response to such health emergency, countries around the world had to impose the "Great Lockdown", which brought economies to a standstill and resulted in the worst recession since the Great Depression in the 1930s. According to the International Monetary Fund ("**IMF**"), the global major economies, other than China, are expected to experience shrinkage of varying degrees, and the global economy is expected to shrink by 3.5% in 2020, representing 1.4 percentage points lower than the forecast in the World Economic Outlook Report issued on 24 June 2020. This reflected that although the global economy suffered a severe recession in 2020, the growth was stronger than expected in the second half of the year, indicating that, to a certain extent, the world economy is realizing a steady recovery as countries around the world continue to promote normalized pandemic prevention policies and implement various economic stimulus policies in view of numerous uncertainties ahead.

Affected by the COVID-19 outbreak and global economic volatility, many economic indicators of China in 2020 have been affected to varying degrees, which also inevitably exerted an impact on the logistics industry. With respect to the trend of the year, the economic activities across the country almost went into a halt in the first quarter. However, with the pandemic under effective control, China's economy began to fully recover since the second quarter, and the logistics industry also revitalized in line with such recovery. According to the National Bureau of Statistics ("**NBS**") of the People's Republic of China (the "**PRC**"), the gross domestic product ("**GDP**") exceeded the RMB100-trillion threshold for the first time in 2020, reaching RMB101.5986 trillion, a year-on-year increase of 2.3%, and was the only major economy in the world to post growth in the pandemic-ravaged year. China's economic recovery stayed ahead of the world. Despite a significant drop in GDP in the first quarter, the growth rate turned positive in the second quarter, growing 3.2%, with 4.9% in the third quarter and 6.5% in the fourth quarter, respectively, which demonstrated a V-shaped rebound trajectory and served as the main force behind the world economic recovery. In 2020, the total domestic retail sales of consumer goods for the year amounted to RMB39,198.1 billion, representing a year-on-year decrease of 3.9%, which was 6.5 percentage points lower than that in the first half of 2020. The domestic logistics operation revitalized against the trend and achieved a steady growth in 2020 with logistics scale reaching a new level and total revenue of the logistics industry maintaining growth. According to the China Federation of Logistics & Purchasing (CFLP), the total value of the national social logistics was RMB300.1 trillion in 2020, representing a year-on-year increase of 3.5% on the basis of the comparable prices. By quarter, the growth in the first quarter, the first half of the year and the first three quarters were -7.3%, -0.5% and 2.0%, respectively. The growth rate in the logistics scale continued to recover and further accelerated in the fourth quarter. In 2020, the total revenue of the logistics industry amounted to RMB10.5 trillion, representing an year-on-year increase of 2.2%. The growth rate of total revenue of the logistics industry turned from negative to positive in the third quarter and underwent a speedy rebound since the fourth quarter, resuming to the level in the previous year.

The total online retail sales for 2020 in China amounted to RMB11,760.1 billion, representing a year-on-year increase of 10.9% on a comparable basis. The total online retail sales of physical goods for the year amounted to RMB9,759 billion, representing a year-on-year increase of 14.8% on a comparable basis and accounting for 24.9% of the total retail sales of consumer goods, up by 4.0 percentage points over the previous year.

According to a report from DTZ Cushman & Wakefield Limited, as of the third quarter of 2020, the inventory level of the premium logistics warehouses in mainland China reached 65.78 million sq.m., with over 5 million sq.m. of new supply as compared with that in the fourth quarter in 2019. The domestic demand for logistics warehouses rebounded due to the release of consumption and the resumption of logistics activities. Inquiries for leasing and transactions of premium logistics warehouses across the country witnessed a significant increase. E-commerce, express delivery and supply chain customers continued to be the major parties in the leasing transactions. Demand for cold room resources around the world increased significantly from customers such as fresh product e-commerce and community group buying. The vacancy rate of domestic premium logistics warehouses declined 0.5 percentage point compared to that of the second quarter of 2020, while rental levels remained stable. In general, the premium logistics facilities leasing market in China was affected to a certain extent at the early stage of the COVID-19 outbreak, which was more reflected in the restricted business exchanges and operations due to the blockade measures, rather than the actual shrinking of demand. With the effective control of the domestic epidemic and the restart of economic activities in full swing, the market demand for high-standard logistics facilities is gradually releasing and returns to normal levels. The future demand is expected to continue a growing trend, and the demand for e-commerce, retailers and third-party logistics (the "**3PL**") services will constitute the main driving force in the high-end logistics field and dominate the leasing market, while the overall demand for traditional retail and manufacturing will remain stable. According to the NBS of the PRC, the total online retail sales for the year amounted to RMB11,760.1 billion in 2020, representing a year-on-year increase of 10.9% on a comparable basis, and an increase of 3.6 percentage points compared to that in the first half of 2020. The total online retail sales of physical goods for the year amounted to RMB9,759 billion, representing a year-on-year increase of 14.8% on a comparable basis and accounting for 24.9% of the total retail sales of consumer goods, up by 4.0 percentage points over the previous year. With the further release of consumption potential in central and western regions and the vast rural areas in China, as well as the further popularization of the Internet and mobile Internet, e-commerce will continue to achieve rapid development in the future, and the COVID-19 outbreak will further change the consumption habits of the people. The leasing demand for high-standard warehouses, as driven by the development of e-commerce sector, will remain one of the major driving forces for the development of the logistics facilities sector in the future. With the official issuance of 5G commercial-use licenses by the Ministry of Industry and Information Technology in 2019, China officially entered into the opening year of 5G commercial-use. The 5G network will further empower the use of emerging technologies such as artificial intelligence ("**AI**"), big data, cloud computing and the Internet-of-Things in various industries to further improve logistics efficiency and accelerate the transformation towards intelligent traditional logistics real estate.

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

Outlook

Business Outlook

Since 2021, the global economic recovery trend has been reinforced. The reasons for the acceleration of the global economic recovery are as follows: Firstly, the COVID-19 pandemic has showed signs of easing as countries around the world continued to promote normalized prevention and control policies. According to Johns Hopkins University, as of 14:40 on 3 March 2021, there had been a downward trend concerning the overall new confirmed cases worldwide since 7 January 2021. Secondly, countries around the world have been actively promoting vaccination. Vaccination and the decline in the number of new confirmed cases of COVID-19 pandemic have provided a sound social environment for the global economic recovery. Thirdly, countries around the world have continued to maintain stronger fiscal and monetary policy support to ensure economic recovery. The major developed economies, including the Federal Reserve and the European Central Bank, continued to implement ultra-loose monetary policies, and have been developing new fiscal policy support programs. The IMF also updated its forecast in the World Economic Outlook in January 2021 that the global economy will grow by 5.5% in 2021 and 4.2% in 2022. While the global economy is recovering, it is also facing a number of uncertainties. First of all, the variant of the coronavirus may still exert an impact on the economy. Secondly, the loose monetary policy has led to a rapid rise of commodities prices along with expected rising global inflation. Thirdly, the continued expansion of fiscal policy has led to an increase in global debt risks. Last but not least, the recent fluctuations in financial markets have also become an important factor that hinders economic recovery.

With respect to the domestic economic situation in China, as regular prevention and control of the COVID-19 outbreak has been brought to the daily routine, the economic activities will still be impacted to a certain extent. However, the overall economic activities have been fully restarted, and the government has continued to introduce various economic recovery policies, which resulted in a significant rebound or narrower decline in a number of economic indicators since March 2020, which demonstrated a strong self-adjustment ability. In 2021, the PRC government set up a target for a GDP growth of over 6.0%, while the IMF predicted that the Chinese economy will grow by 8.1% in 2021. In 2020, China accomplished the great achievement of poverty eradication, and the next goal is to build an all-around moderately prosperous society, which indicated the PRC government will continue to focus on the improvement in income and living quality of the general public in future. The logistics industry and warehousing facilities will continue to benefit from China's fast-growing economy.

In 2021, the Group will continue its efforts to achieve its goal to develop into the largest provider of premium logistics facilities in China and maintaining its leading position as a premium logistics facilities provider in China. The Group intends to continue to pursue the following:

- *Strengthen nationwide network across major logistics hubs* — The Group has continued to strengthen its nationwide network of logistics facilities by developing its land held for future development and acquiring new land for investment projects, identifying new investment projects and selectively acquiring existing logistics facilities. As at 31 December 2020, the Group has approximately 0.4 million sq.m. of GFA of land held for future development and approximately 3.8 million sq.m. of GFA of investment projects. Going forward, the Group plans to continue its focus in regions that are more economically developed, such as the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta economic zone, the Bohai economic zone and the Pearl River Delta economic zone, as well as other selected provincial and logistics node cities, to continuously strengthen its nationwide network. For example, in the Greater Bay Area, in addition to our existing Zhaoqing and Huizhou projects, which have been in operation, we will use the opportunity brought by the country's promotion of the construction of the Greater Bay Area and the integration of the Yangtze River Delta to actively seek new investment opportunities in the region with an aim to continue to build a network of logistics facilities in the region.

- *Accelerate lease-up cycle and optimize tenant portfolio* — In 2020, the occupancy rate for our stabilized logistics parks reached 90.2%, maintaining a high occupancy rate despite the impact of COVID-19 pandemic, which represented one of our achievements attributable to our continuous efforts in promoting the strategy of accelerating lease-up cycle and optimizing tenant portfolio. In the future, the Group will continue to maintain constant dialogues with both existing and prospective tenants to manage lease renewals and fill up vacancies at its logistics facilities in a timely and efficient manner. In particular, the Group will continue to leverage the strong network effect of its logistics facilities portfolio to attract existing and prospective tenants with a view to expanding the Group's national footprint in China. In the meantime, in view of the continuous growth of China's domestic consumption and e-commerce market as well as the strong growth of emerging industries such as new retail, the Group will continue to optimize its tenant portfolio and increase the proportion of such companies to better meet the market demand.

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

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

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

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

Industry Outlook

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

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

- *Growing e-commerce market in China* — China's e-commerce industry will continue to experience strong growth in 2021. Key drivers for this growth include, among others, the unmet demand for many products in smaller cities and towns and the growing rate of internet usage in China. China's rural e-commerce market will maintain its rapid development, and its growth rate will be far higher than the national average level.

- *Growing 3PL market* — The 3PL industry will continue to experience steady growth in 2021. Key drivers for this growth include the demand for more efficient logistics services, rapid development in transportation infrastructure, and the trend for an increasing number of retailers, manufacturers and others choosing to outsource logistics for cost saving and efficiency. The Chinese government aims to further lower the ratio of the total social logistics cost to GDP, targeting to lower the ratio to about 12% by 2025. To achieve this goal, more investments in high-standard logistics facilities are required to improve logistics efficiency.

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's Annual Results with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from the year ended 31 December 2019 to the year ended 31 December 2020:

	For the year ended 31 December				Year-on-Year Change
	2020		2019		
	RMB'000	%	*RMB'000* *Restated*	%	%
Consolidated Statement of Comprehensive Income					
Revenue	**798,637**	**100.0**	712,506	100.0	12.1
Cost of sales	**(180,380)**	**(22.6)**	(165,781)	(23.3)	8.8
Gross profit	**618,257**	**77.4**	546,725	76.7	13.1
Selling and marketing expenses	**(34,574)**	**(4.3)**	(33,931)	(4.8)	1.9
Administrative expenses	**(117,011)**	**(14.7)**	(108,198)	(15.2)	8.1
Net impairment losses on financial assets	**(1,532)**	**(0.2)**	(1,349)	(0.2)	13.6
Other income	**27,439**	**3.4**	19,160	2.7	43.2
Fair value gains on investment properties — net	**678,559**	**85.0**	754,763	105.9	(10.1)
Fair value losses on convertible bonds — net	**(802,092)**	**(100.4)**	(37,732)	(5.3)	2,025.8
Other gains/(losses) — net	**429,043**	**53.7**	(133,918)	(18.8)	(420.4)
Operating profit	**798,089**	**99.9**	1,005,520	141.1	(20.6)
Finance income	**35,717**	**4.5**	29,306	4.1	21.9
Finance costs	**(488,302)**	**(61.1)**	(481,884)	(67.6)	1.3
Finance expenses — net	**(452,585)**	**(56.7)**	(452,578)	(63.5)	0.0
Share of profit of investments accounted for using the equity method	**9,920**	**1.2**	88,575	12.4	(88.8)
Profit before income tax	**355,424**	**44.5**	641,517	90.0	(44.6)
Income tax expense	**(288,804)**	**(36.2)**	(292,272)	(41.0)	(1.2)
Profit for the year	**66,620**	**8.3**	349,245	49.0	(80.9)
Profit for the year attributable to:					
Owners of the Company	**22,835**	**2.9**	257,192	36.1	(91.1)
Non-controlling interests	**43,785**	**5.5**	92,053	12.9	(52.4)
	66,620	**8.3**	349,245	49.0	(80.9)
Other comprehensive (loss)/income for the year, net of tax	**(132,167)**	**(16.5)**	73,897	10.4	(278.9)
Total comprehensive (loss)/income for the year	**(65,547)**	**(8.2)**	423,142	59.4	(115.5)
Total comprehensive (loss)/income for the year attributable to:					
Owners of the Company	**(109,332)**	**(13.7)**	331,089	46.5	(133.0)
Non-controlling interests	**43,785**	**5.5**	92,053	12.9	(52.4)
	(65,547)	**(8.2)**	423,142	59.4	(115.5)
Earnings per share for profit attributable to owners of the Company (expressed in RMB)					
Basic	**0.0070**		0.0795		
Diluted	**0.0070**		0.0795		

Revenue

The Group's revenue increased by 12.1% from RMB712.5 million in 2019 to RMB798.6 million in 2020, primarily attributable to (i) an increase in the number of the Group's logistics parks in operation and therefore the total GFA in operation, which is a part of the Group's nationwide expansion plan; (ii) an increase of average occupancy of logistics parks which were completed and put into operation in 2019 during the year of 2020; and (iii) an increase in the average unit rental.

Cost of Sales

The Group's cost of sales increased by 8.8% from RMB165.8 million in 2019 to RMB180.4 million in 2020, primarily as a result of an increase in the scale of the Group's operation. As a percentage of the Group's revenue, the Group's cost of sales decreased from 23.3% in 2019 to 22.6% in 2020. 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 13.1% from RMB546.7 million in 2019 to RMB618.3 million in 2020, and the Group's gross profit margin increased from 76.7% in 2019 to 77.4% in 2020.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 1.9% from RMB33.9 million in 2019 to RMB34.6 million in 2020, primarily due to the expansion of the Group's in-house sales and marketing team with the increased operation scale. As a percentage of the Group's revenue, selling and marketing expenses decreased from 4.8% in 2019 to 4.3% in 2020, primarily due to economies of scale from the Group's growing operation scale and the increase of the operational efficiency of the Group.

Administrative Expenses

The Group's administrative expenses increased by 8.1% from RMB108.2 million in 2019 to RMB117.0 million in 2020, primarily as a result of an increase in consultation fees. As a percentage of the Group's revenue, administrative expenses decreased from 15.2% in 2019 to 14.7% in 2020. 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.

Net Impairment Losses on Financial Assets

The Group recorded net impairment losses on financial assets of RMB1.5 million for the Reporting Period. The Group recognized net impairment losses of RMB1.3 million on financial assets for the year of 2019.

Other Income

The Group's other income increased by 43.2% from RMB19.2 million in 2019 to RMB27.4 million in 2020, primarily due to the increase of the government grants received by the Group from the local government authority.

Fair Value Gains on Investment Properties — Net

The Group's net fair value gains on investment properties decreased by 10.1% from RMB754.8 million in 2019 to RMB678.6 million in 2020, primarily attributable to (i) as a result of the Group's asset-light strategy, the disposal of 90% equity interest of two subsidiaries which values were not included in the fair value gains on investment properties of the Group for the Reporting Period; and (ii) the slowdown of project development progress, resulting in the overall decrease in the fair value gains on the projects under development in 2020.

Fair Value Losses on Convertible Bonds — Net

The Group's fair value losses on convertible bonds increased significantly from RMB37.7 million in 2019 to RMB802.1 million in 2020. The increase was primarily attributable to a continuous rise in Group's share price in 2020, which increased the value of the convertible bonds. The fair value losses on convertible bonds is a non-cash charge, and it does not affect the Group's liquidity. The changes in fair value will be gradually reflected in the equity attributable to owners of the Company through equity and premium or retained earnings on or before the maturity of convertible bonds.

Other Gains/(Losses) — Net

The Group's other gains amounted to RMB429.0 million in 2020 as compared with other losses of RMB133.9 million in 2019, primarily as a result of gain from (i) the disposal of 90% equity interest in two subsidiaries in 2020; and (ii) the change of the Company's functional currency to Hong Kong dollars and the exchange gains raised from net receivables denominated in Renminbi.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 20.6% from RMB1,005.5 million in 2019 to RMB798.1 million in 2020. Excluding the impact of fair value losses on convertible bonds, the operating profit for the Reporting Period was RMB1,599.2 million which increased by 53.3% when compared to the operating profit excluding the impact of fair value losses on convertible bonds in 2019. As a percentage of the Group's revenue, the Group's operating profit decreased from 141.1% in 2019 to 99.9% in 2020.

Finance Income

The Group's finance income increased by 21.9% from RMB29.3 million in 2019 to RMB35.7 million in 2020, primarily due to the increase in exchange gain which arised from the U.S. dollars denominated borrowings of the Company.

Finance Costs

The Group's finance costs increased by 1.3% from RMB481.9 million in 2019 to RMB488.3 million in 2020, primarily due to an increase in interest expense on the Group's outstanding borrowings.

Income Tax Expense

The Group's income tax expense decreased by 1.2% from RMB292.3 million in 2019 to RMB288.8 million in 2020, primarily as a result of the decrease in fair value gains and losses, which has reduced the deferred income tax expense. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, increased from 45.6% in 2019 to 81.3% in 2020, primarily due to the increase in fair value losses on convertible bonds incurred in 2020, which resulted in a decrease in the Group's profit before tax.

Profit for the year

As a result of the foregoing, the Group's profit of the year decreased by 80.9% from RMB349.2 million in 2019 to RMB66.6 million in 2020. The Group's profit for the year attributable to the owners of the Company decreased by 91.1% from RMB257.2 million in 2019 to RMB22.8 million in 2020.

Non-IFRSs Measure

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

Core Net Profit

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

The Group's core net profit increased from RMB454.5 million in 2019 to RMB510.4 million in 2020. The increase was primarily due to the revenue growth as a result of the Group's nationwide expansion as well as economies of scale it achieved through the expansion process. As a percentage of the Group's revenue, the Group's core net profit remained relatively stable in 2020 at 63.9% as compared with 63.8% in 2019.

Liquidity and Capital Resources

In 2020, the Group financed its operations primarily through cash from the Group's operations, borrowings from banks and financial institutions and the issuance of senior notes, convertible bonds, ABN and CMBS. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth and borrowings.

Cash and cash equivalents

As at 31 December 2020, the Group had cash and cash equivalents of RMB1,033.4 million (31 December 2019: RMB1,166.3 million), which primarily consisted of cash at bank and on hand that were mainly denominated in Renminbi (as to 79.5%), U.S. dollars (as to 0.9%), and Hong Kong dollars (as to 19.6%).

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

Indebtedness

(a) Borrowings

As at 31 December 2020, the Group's total outstanding borrowings amounted to RMB7,101.0 million. The Group's borrowings were denominated in Renminbi (as to 83.4%) and

U.S. dollars (as to 16.6%). The following table sets forth a breakdown of the Group's current and non-current borrowings as at the dates indicated:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Non-current		
Long-term bank borrowings		
— secured by assets	**3,321,126**	4,075,632
— secured by assets and equity interest of certain subsidiaries	**1,387,676**	—
— secured by equity interest of certain subsidiaries	**—**	50,000
Senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**1,066,083**	2,790,063
Long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries	**350,070**	—
ABN		
— secured by assets	**448,160**	448,272
CMBS		
— secured by assets	**477,840**	—
Less: Long-term bank borrowings due within one year	**(675,074)**	(446,404)
Long-term borrowings from other financial institutions due within one year	**(72,521)**	—
Senior notes due within one year	**(91,912)**	(1,673,447)
ABN due within one year	**(415)**	(554)
	6,211,033	5,243,562
Current		
Short-term bank borrowings		
— unsecured	**50,000**	20,000
Current portion of long-term bank borrowings		
— secured by assets	**544,378**	446,404
— secured by assets and equity interest of certain subsidiaries	**130,696**	—
Current portion of senior notes		
— secured by guarantees and pledges provided by certain subsidiaries	**91,912**	1,673,447
Current portion of long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries	**72,521**	—
Current portion of ABN		
— secured by assets	**415**	554
	889,922	2,140,405
Total borrowings	**7,100,955**	7,383,967

The Group's total outstanding borrowings amounted to RMB7,384.0 million and RMB7,101.0 million as at 31 December 2019 and 2020, respectively. The decrease in the Group's total borrowings was primarily due to the repayment of certain senior notes in 2020.

As at 31 December 2020, the Group's borrowings of RMB3,467.3 million (31 December 2019: RMB4,741.9 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 2019 and 2020 were as follows:

	As at 31 December	
	2020	2019
RMB	**5.9%**	6.0%
US$	**11.2%**	10.1%

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

	As at 31 December	
	2020	2019
	(in RMB thousands)	
Within one year	**889,922**	2,140,405
Between one and two years	**2,009,408**	1,820,148
Between two and five years	**1,713,998**	1,684,444
Over five years	**2,487,627**	1,738,970
Total Borrowings	**7,100,955**	7,383,967

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2020	2019
	(in RMB thousands)	
Floating rate:		
Expiring beyond one year	**717,978**	376,500
Fixed rate:		
Expiring over one year	**40,700**	—
	758,678	376,500

Gearing ratio

The Group's gearing ratio is calculated by dividing (i) the Group's total borrowings, convertible bonds and lease liabilities less cash and cash equivalents and restricted cash, being the Group's net debt, by (ii) the sum of net debt and the Group's total equity, being the Group's total capital. As at 31 December 2019 and 2020, the Group's gearing ratio was 38.0% and 41.6%, respectively.

Capital expenditures

The Group made payment for the capital expenditures representing the spent on the development of its logistics park projects, the acquisition of land and the acquisition of property, plant and equipment of RMB1,606.2 million in 2020. In 2019, the Group made capital expenditure of RMB1,902.2 million. The Group's capital expenditure in 2020 was funded primarily by cash generated from its operating activities and bank borrowings.

Contingent liabilities and guarantees

As at 31 December 2020, there were no significant unrecorded contingent liabilities, guarantees or litigations against the Group.

Charge on group assets

As at 31 December 2020, investment properties of the Group with a total fair value amount of RMB18,261.0 million (2019: RMB15,517.0 million) were pledged as collateral mortgaged to secure bank borrowings of the Group. See Note 9 set out in "Notes to the Financial Information" in this announcement for further details.

Funding and treasury policy

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

Material acquisitions and disposals and future plans for major investment

During the Reporting Period, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Company's prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Human resources

As at 31 December 2020, the Group had a total of 201 employees. The Group has established comprehensive training programs to support and encourage its employees and continued to organize on-the-job training on a regular basis to employees from members of its management team to newly hired employees to improve their relevant skills at work. The Group offers competitive remuneration package which includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group's employee benefit expenses include salaries, benefits and other compensations paid to all of its employees.

In 2020, the total employee benefit expenses of the Group (including salaries, wages, bonuses, employee share option expenses, pension, housing, medical insurance, directors' emoluments and other social insurance) amounted to RMB59.0 million, representing approximately 7.4% of the total revenue of the Group.

Pursuant to the Company's pre-IPO share option scheme, options to subscribe for an aggregate amount of 15,824,000 shares (representing approximately 0.49% of the total number of issued shares of the Company as at the date of this announcement) have been granted by the Company under the pre-IPO share option scheme, among which no shares were forfeited during 2020 and 1,872,200 shares remained outstanding as at 31 December 2020.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the Reporting Period.

ISSUANCE OF NEW EXCHANGE NOTES

On 5 November 2020, the Company launched an exchange offer to holders of the Company's 8.75% Senior Notes due 2021 (the "**2021 Notes**"). The consideration of exchange was U.S. dollar denominated 8.75% Senior Notes due 2022 (the "**2022 Notes**"). On 18 November 2020, all conditions precedent to the exchange offer were fulfilled, and the exchange offer was completed. The Company issued an aggregate principal amount of US$150,000,000 of the 2022 Notes, including the accrued and unpaid interest on the 2021 Notes validly tendered accepted for exchange, pursuant to the exchange offer. For further details, please refer to the announcements of the Company dated 5 November 2020, 16 November 2020 and 18 November 2020.

FINAL DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for code provision A.2.1 of the Code which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Li Shifa is the chairman, chief executive officer and president of the Company. With extensive experience in the logistics facilities industry, Mr. Li Shifa is responsible for formulating and leading the implementation of the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group and is instrumental to the growth and business expansion of the Group since its establishment in 2000. The Board considers that vesting the roles of chairman, chief executive officer and president in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. As at the date of this announcement, the Board comprises seven executive Directors (including Mr. Li Shifa), 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 Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the Reporting Period.

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the Annual Results for the Reporting Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.cnlpholdings.com). The annual report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and that of the Company in due course.

By order of the Board of
China Logistics Property Holdings Co., Ltd
中國物流資產控股有限公司
Li Shifa
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, Mr. Li Shifa, Mr. Wu Guolin, Ms. Li Huifang, Mr. Cheuk Shun Wah, Ms. Shi Lianghua, Mr. Xie Xiangdong and Mr. Wu Guozhou are the executive Directors, Ms. Li Qing and Mr. Fu Bing are the non-executive Directors, and Mr. Guo Jingbin, Mr. Fung Ching Simon, Mr. Wang Tianye, Mr. Leung Chi Ching Frederick and Mr. Chen Yaomin are the independent non-executive Directors.