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中国物流资产 CHINA LOGISTICS
PROPERTY HOLDINGS

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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	For the six months ended		Year-on-Year Change %
	2021	2020	
	RMB'000	RMB'000	
	(unaudited)	(unaudited)	
		Restated ⁽¹⁾	
Revenue	436,678	388,031	12.5
Gross profit	337,938	299,381	12.9
Gross profit margin	77.4%	77.2%	0.2 ⁽⁶⁾
Fair value gains on investment properties — net	81,512	269,067	(69.7)
Fair value gains/(losses) on convertible bonds — net	312,939	(159,954)	(295.6)
Profit/(loss) for the period ⁽²⁾⁽³⁾	295,926	(66,628)	(544.1)
Non-IFRSs item:			
Core net profit ⁽⁴⁾⁽⁵⁾	294,004	270,105	8.8
Core net profit margin	67.3%	69.6%	(2.3) ⁽⁶⁾

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:

	As of 30 June 2021	As of 31 December 2020
Completed GFA:		
Stabilized logistics parks (million sq.m.) ⁽⁷⁾	3.2	2.8
Pre-stabilized logistics parks (million sq.m.) ⁽⁸⁾⁽⁹⁾	0.5	0.8
Total (million sq.m.)	3.7	3.6
Logistics parks under development or being repositioned (million sq.m.)	0.4	0.4
Land held for future development (million sq.m.)	0.5	0.4
Investments accounted for using equity method (million sq.m.)	0.8	0.6
Total GFA (million sq.m.)	5.4	5.0
Investment projects (million sq.m.) ⁽¹⁰⁾	4.0	3.8
Occupancy rate for stabilized logistics parks (%) ⁽⁷⁾	91.1	90.2

- (1) The Group's financial results were restated as the Company changed its functional currency from Renminbi to Hong Kong dollars in 2020. 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 Renminbi ("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 periods indicated comprised non-recurring fair value gains on investment properties and convertible bonds.
- (3) Profit for the six months ended 30 June 2021 includes RMB273.1 million in profit attributable to the owners of the Company and RMB22.8 million in profit attributable to non-controlling interests. The Company had RMB27.5 million in profit attributable to non-controlling interests for the same period of 2020.
- (4) This is not an IFRSs measure. The Group has presented this non-IFRSs item because the Group considers it an important supplemental measure of the Group's operating performance and believes it is frequently used by analysts, investors and other interested parties in the evaluation of companies in the same industry. The Group's management uses such non-IFRSs item as an additional measurement tool for purposes of business decision-making. Other companies in the same industry may calculate this non-IFRSs item differently than the Group does.
- (5) The Group defines its core net profit as its adjusted EBITDA, which consists of profit for the period, 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 gains/(losses) on convertible bonds — net and other gains, interest income on bank deposits, net exchange gains and share of (loss)/profit of investments accounted for using the equity method.
- (6) Represents the absolute amount of year-on-year change.
- (7) Logistics facilities (i) that had been in operation for more than 12 months as at 30 June 2021 or 31 December 2020 (as the case may be) or (ii) reached an occupancy rate of 90%.
- (8) Logistics facilities (i) that had been completed and in operation for less than 12 months as at 30 June 2021 or 31 December 2020 (as the case may be) and (ii) reached an occupancy rate less than 90%.
- (9) After the completion of the construction or acquisition, various government infrastructure preparations and inspections are required before our 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-stabilized logistics facilities.
- (10) 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 of directors (the “**Board**”) of China Logistics Property Holdings Co., Ltd (the “**Company**”) announces the unaudited consolidated interim results (the “**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”). The Interim Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

As of 30 June 2021, the Company had 179 logistics facilities in operation in 38 logistics parks located in logistics hubs in 19 provinces or centrally administered municipalities.

As demands from tenants in e-commerce and third-party logistics providers (“**3PL**”) industries continued to increase, the Group expanded its network of logistics facilities to cope with such demands and thereby grew its revenue by 12.5% from RMB388.0 million for the six months ended 30 June 2020 to RMB436.7 million for the Reporting Period. The Group’s gross profit increased from RMB299.4 million for the six months ended 30 June 2020 to RMB337.9 million for the Reporting Period.

Major Operating Data of the Group’s Logistics Parks

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

	As of 30 June 2021	As of 31 December 2020
Completed GFA:		
Stabilized logistics parks (million sq.m.) ⁽¹⁾	3.2	2.8
Pre-stabilized logistics parks (million sq.m.) ⁽²⁾	0.5	0.8
Total (million sq.m.)	3.7	3.6
Logistics parks under development or being repositioned (million sq.m.)	0.4	0.4
Land held for future development (million sq.m.)	0.5	0.4
Investments accounted for using equity method (million sq.m.)	0.8	0.6
Total GFA (million sq.m.)	5.4	5.0
Investment projects (million sq.m.) ⁽³⁾	4.0	3.8
Occupancy rate for stabilized logistics parks (%) ⁽¹⁾	91.1	90.2

(1) Logistics facilities (i) that had been in operation for more than 12 months as at 30 June 2021 or 31 December 2020 (as the case may be) or (ii) reached an occupancy rate of 90%.

(2) Logistics facilities (i) that had been completed and in operation for less than 12 months as at 30 June 2021 or 31 December 2020 (as the case may be) and (ii) reached an occupancy rate less than 90%.

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

INDUSTRY OVERVIEW

More than half of the year 2021 has passed. In the face of the uncertainty of the global epidemic and the treacherous international situation, China has adopted normalized epidemic prevention and control measures as well as various proactive macro policies, the results of which continue to show. According to the National Bureau of Statistics of the People's Republic of China (the "PRC"), the gross domestic product ("GDP") in the first half of 2021 reached RMB53,216.7 billion, representing a slight year-on-year increase of 12.7% based on comparable prices. In the expansion of the consumer market, China insists on building a new development pattern in which the domestic economic circulation plays a leading role while the domestic and international circulations promote each other. Thanks to the development of the dual circulation system and the expansion of domestic consumption acting as the engine for the dual circulation system, as of the end of June 2021, the total retail sales of consumer goods of China amounted to RMB21,190.4 billion, representing a year-on-year increase of 23.0%. In addition, from the external circulation perspective, as a major manufacturing export country in the global industrial chain, China's total import and export volume in the first half of the year was RMB18.07 trillion, representing an increase of 27.1% year-on-year, setting the best level for the same period in the history.

Under the premise of high-quality economic development during the 14th Five-year period of China, the logistics industry, as one of the important infrastructures and circulation systems in China, will have profound effects on the national economic development. According to the China Federation of Logistics & Purchasing, the total value of the national social logistics was RMB150.9 trillion in the first half of 2021. As of the end of June, the prosperity index and warehousing index of China's logistics industry was 54.6% and 53.2%, respectively, reflecting a relatively high range. Overall, China's logistics and warehousing industries maintain a high level of prosperity, and the national demand for logistics and warehousing has grown steadily.

Currently, with the steady progress of China's macroeconomy, various domestic industries have exceeded previous levels in terms of production and manufacturing, and people have unleashed unprecedented momentum in life and consumption. The current demand for warehousing and logistics mainly comes from customers of e-commerce, third-party logistics, retail, industrial manufacturing, among others. In the first half of 2021, the e-commerce industry experienced vigorous development. As of the end of June, the national online consumer retail sales reached RMB6.11 trillion, representing a year-on-year increase of 23.2%. On the one hand, in the context of normalized measures for epidemic prevention and control, as well as the popularity and prosperity of the new retail model of community group buying, the consumption habits of people are gradually changing. With the continuous surge of users and the full release of consumption potential, its storage demand will be further expanded and diversified. On the other hand, the penetration of the market is also the focus of e-commerce companies. In order to provide a better customer experience, e-commerce companies' warehouse leasing requirements are also required to match their business needs. The express industry is one of the components of third-party logistics. According to the State Post Bureau of the PRC, in the first half of 2021, the national express delivery business volume reached 49.33 billion pieces, representing an increase of 45.8% year-on-year. The performance of the national high-quality logistics infrastructure leasing market is in full swing. In particular, the warehousing facilities in the regions including Beijing, the Yangtze River Delta, and the Greater Bay Area have reached a state that "both public and private warehouses are full."

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

OUTLOOK

Business Outlook

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

- *Strengthening nationwide network across major logistics hubs* — The Group is continuing to strengthen its nationwide network of logistics facilities by developing its land held for future development and acquiring new land for investment projects, identifying new investment projects, and selectively acquiring existing logistics facilities. As at 30 June 2021, the Group has approximately 0.5 million sq.m. of GFA of land held for future development and approximately 4.0 million sq.m. of GFA of investment projects. Going forward, the Group plans to continue focusing on 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. Concurrently, we will continue to pay attention to the penetration trend of the customer networks of e-commerce, third-party logistics, among others, and look for investment opportunities to customize logistics facilities for specific customers in specific areas to meet their individualized needs, as a way to further improve the national network and enrich the product portfolio.
- *Accelerating lease-up cycle and optimizing tenant portfolio* — In 2021, despite the impact of the COVID-19 pandemic, the occupancy rate for our stabilized logistics parks reached 91.1%, maintaining a high occupancy rate, 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, as long as the continuous growth of China's domestic consumption and e-commerce market coupled with 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.

- Innovating 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 different types of customers, such as fresh food e-commerce companies, cold chain operators, among others, 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 the 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 concerning the cold chain ancillary warehousing facilities 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 precise temperature control systems, to satisfy regional warehousing needs of various fresh food e-commerce companies and other customers. In the beginning, we will focus our efforts on domestic core markets to provide our customers with corresponding high-standard cold room facilities.
- Diversifying sources of capital and lowering 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.
- Attracting, motivating and cultivating management talent and personnel* — The Group will continue to recruit both domestic and international talent in order to create a well-rounded workforce 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.
- Reducing 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 panels on top of its logistics facilities. Besides, the Group will experimentally install water recycling systems 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:

- *The dual circulation policy is beneficial to the development of the national logistics system* — In the goals of the 14th Five-Year Plan, the building of a new development pattern in which the domestic economic circulation plays a leading role while the domestic and international circulations promote each other was first introduced. Focusing on the dual circulations development and under the leadership of capital construction, the pace of smart logistics supporting the construction of a new development pattern is also accelerating. The circulation refers to the smooth connection of production, distribution, circulation, consumption and other aspects; and the importance of logistics in the circulation is self-evident. With the acceleration of the construction of international logistics hubs in many places, it is foreseeable that new logistics channels will take shape at an accelerated pace.
- *Taking advantage of the publicly offered REITs, logistics real estate ushers in a new era* — 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》). In June 2021, the first batch of nine publicly offered REITs was issued and listed, marking the official launch of the REITs public offer market of China. Among the nine products, the underlying assets of the two products are warehousing and logistics facilities. The official launch of publicly offered REITs will provide a diversified equity financing instrument for warehousing and logistics facilities projects with a positive effect on optimizing the financing structure and reducing the overall debt ratio. It will also boost the attention of investors to the warehousing and logistics facilities market.
- *Technological innovation and digitization have become the only way for logistics development* — In light of the ever-increasing parcel processing volume and more complex logistics models, third-party logistics companies and e-commerce companies are also proactively building an overall intelligent and flexible supply chain system to provide great user experience. In order to maximize the effectiveness of their intelligent sorting, distribution, packaging and other equipment, high-quality and high-standard logistics facilities are considered to be their best choice.
- *It is in the ascendant for the emerging industries to drive the warehousing and logistics market* — With the Chinese consumer market expansion caused by the COVID-19 epidemic, the logistics real estate industry has derived emerging driving forces beyond the traditional ones, including cold chain logistics. Due to the accelerated upgrade of consumer consumption, the change of people's consumption pattern, and the popularity of the community group buying model, the demand for fresh food related to the cold chain has grown strongly. Besides, due to the outbreak of the COVID-19, the national medical cold chain infrastructure is also forced to be upgraded so as to meet the transportation needs of vaccines, medicines, and cell materials.

- *E-commerce saw prosperous development with a focus on markets in low-tier cities* — China's e-commerce industry will continue to experience strong growth in the second half of 2021. Key drivers for this growth include, among others, the unmet demand for various 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.
- *Continuing prosperous 3PL market* — The 3PL industry will continue to experience steady growth in the second half of 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 other players 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.

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 are continuously moving 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The following table is a summary of the Group's consolidated statement of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the periods indicated, together with the change (expressed in percentages) from the six months ended 30 June 2020 to the Reporting Period:

	Six months ended 30 June				Year-on-Year Change %
	2021		2020		
	RMB	%	RMB	%	
	<i>Unaudited</i>		<i>Unaudited Restated</i>		
<i>(In thousands, except for percentages and per share data)</i>					
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	436,678	100	388,031	100	12.5
Cost of sales	(98,740)	(22.6)	(88,650)	(22.8)	11.4
Gross profit	337,938	77.4	299,381	77.2	12.9
Selling and marketing expenses	(19,788)	(4.5)	(14,518)	(3.7)	36.3
Administrative expenses	(50,369)	(11.5)	(39,501)	(10.2)	27.5
Net impairment losses on financial assets	(892)	(0.2)	(972)	(0.3)	(8.2)
Other income	16,661	3.8	4,449	1.1	274.5
Fair value gains on investment properties — net	81,512	18.7	269,067	69.3	(69.7)
Fair value gains/(losses) on convertible bonds — net	312,939	71.7	(159,954)	(41.2)	(295.6)
Other gains/(losses) — net	34,406	7.9	(58,564)	(15.1)	(158.7)
Operating profit	712,407	163.1	299,388	77.2	138.0
Finance income	9,218	2.1	12,029	3.1	(23.4)
Finance costs	(207,465)	(47.5)	(242,493)	(62.5)	(14.4)
Finance expenses — net	(198,247)	(45.4)	(230,464)	(59.4)	(14.0)
Share of (loss)/profit of investments accounted for using the equity method	(119,288)	(27.3)	3,870	1.0	(3,182.4)
Profit before income tax	394,872	90.4	72,794	18.8	442.5
Income tax expense	(98,946)	(22.7)	(139,422)	(35.9)	(29.0)
Profit/(loss) for the period	295,926	67.8	(66,628)	(17.2)	(544.1)

	Six months ended 30 June				Year-on-Year Change %
	2021		2020		
	RMB	%	RMB	%	
	<i>Unaudited</i>		<i>Unaudited Restated</i>		
	<i>(In thousands, except for percentages and per share data)</i>				
Profit/(loss) for the period attributable to:					
Owners of the Company	273,145	62.6	(94,104)	(24.3)	(390.3)
Non-controlling interests	22,781	5.2	27,476	7.1	(17.1)
	<u>295,926</u>	<u>67.8</u>	<u>(66,628)</u>	<u>(17.2)</u>	<u>(544.1)</u>
Other comprehensive income for the period, net of tax	<u>1,442</u>	<u>0.3</u>	<u>68,529</u>	<u>17.7</u>	<u>(97.9)</u>
Total comprehensive income for the period	<u>297,368</u>	<u>68.1</u>	<u>1,901</u>	<u>0.5</u>	<u>15,542.7</u>
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company	274,587	62.9	(25,575)	(6.6)	(1,173.7)
Non-controlling interests	22,781	5.2	27,476	7.1	(17.1)
	<u>297,368</u>	<u>68.1</u>	<u>1,901</u>	<u>0.5</u>	<u>15,542.7</u>
Earnings/(loss) per share (expressed in RMB)					
Basic	0.0835		(0.0291)		
Diluted	(0.0103)		(0.0291)		

Revenue

The Group's revenue increased by 12.5% from RMB388.0 million for the six months ended 30 June 2020 to RMB436.7 million for the same period of 2021, primarily attributable to (i) an increase in the number of the Group's logistics parks in operation and therefore the total GFA in operation, which is part of the Group's nationwide expansion plan; and (ii) an increase in the average unit rental.

Cost of Sales

The Group's cost of sales increased by 11.4% from RMB88.7 million for the six months ended 30 June 2020 to RMB98.7 million for the same period of 2021, primarily as a result of an increase in the scale of the Group's operation. As a percentage of the Group's revenue, the Group's cost of sales slightly decreased from 22.8% in the first half of 2020 to 22.6% for the same period of 2021. 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 12.9% from RMB299.4 million for the six months ended 30 June 2020 to RMB337.9 million for the same period of 2021. The Group's gross profit margin slightly increased from 77.2% for the six months ended 30 June 2020 to 77.4% for the same period of 2021.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 36.3% from RMB14.5 million for the six months ended 30 June 2020 to RMB19.8 million for the same period of 2021, primarily due to the expansion of the Group's in-house sales and marketing team to promote the Group's logistics parks. As a percentage of the Group's revenue, selling and marketing expenses increased from 3.7% in the first half of 2020 to 4.5% for the same period of 2021.

Administrative Expenses

The Group's administrative expenses increased by 27.5% from RMB39.5 million for the six months ended 30 June 2020 to RMB50.4 million for the same period of 2021, primarily attributable to the increase in business consultation fees and employee benefit expenses. As a percentage of the Group's revenue, administrative expenses increased from 10.2% in the first half of 2020 to 11.5% in the first half of 2021. The increase was primarily due to the Company's enhancement of business scale and management of projects.

Net Impairment Losses on Financial Assets

The Group recorded net impairment losses on financial assets of RMB0.9 million for the Reporting Period as compared with net impairment losses on financial assets of RMB1.0 million for the same period in 2020.

Other Income

The Group's other income increased by 274.5% from RMB4.4 million for the six months ended 30 June 2020 to RMB16.7 million for the same period of 2021, primarily attributable to more government grants was received in the current period.

Fair Value Gains on Investment Properties — Net

The Group's net fair value gains on investment properties decreased by 69.7% from RMB269.1 million for the six months ended 30 June 2020 to RMB81.5 million for the same period of 2021. The main reasons are the market stability of the operating logistics parks and the slowdown of project development progress, resulting in the overall decrease in the fair value gains during the Reporting Period.

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

The Group recorded fair value gains on convertible bonds of RMB312.9 million for the Reporting Period as compared with fair value losses on convertible bonds of RMB160.0 million for the same period in 2020. The change was primarily attributable to the Group's share price decreased as of 30 June 2021, which reduced the fair value of the convertible bonds.

Other Gains/(losses) — Net

The Group recorded net other gains of RMB34.4 million for the Reporting Period as compared with net other losses of RMB58.6 million recorded for the same period of 2020. The change was primarily attributable to the change of the Company's functional currency to Hong Kong dollars and exchange gains raised from net receivables denominated in Renminbi during the first half of 2021 while the net losses in the same period of 2020 mainly resulting from the net impact of gains from disposal of subsidiaries and exchange losses raised from net receivables denominated in Renminbi.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 138.0% from RMB299.4 million for the six months ended 30 June 2020 to RMB712.4 million for the same period of 2021. As a percentage of the Group's revenue, the Group's operating profit increased from 77.2% for the six months ended 30 June 2020 to 163.1% for the same period of 2021.

Finance Income

The Group's finance income decreased by 23.4% from RMB12.0 million for the six months ended 30 June 2020 to RMB9.2 million for the same period of 2021, primarily as a result of decrease in the average effective interest rate during the Reporting Period.

Finance Costs

The Group's finance costs decreased by 14.4% from RMB242.5 million for the six months ended 30 June 2020 to RMB207.5 million for the same period of 2021, primarily due to the decreased interest during the Reporting Period because of the repayment of high interest senior notes in the second half of 2020.

Income Tax Expense

The Group's income tax expense decreased by 29.0% from RMB139.4 million for the six months ended 30 June 2020 to RMB98.9 million for the same period of 2021. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, decreased from 191.5% in the first half of 2020 to 25.1% for the same period in 2021, primarily due to (i) the decrease in non-deductible expenses and increase in non-taxable gains in overseas subsidiaries; (ii) the decrease in the fair value gains on investment properties resulting less increment in deferred taxation liabilities; (iii) the decrease in overseas capital gains tax paid as a result of the disposal of equity interest in subsidiaries in current period as compared in the corresponding period of last year.

Profit/(loss) for the Period

As a result of the foregoing, the Group recorded a change from loss for the period of RMB66.6 million for the six months ended 30 June 2020 to profit for the period of RMB295.9 million for the same period of 2021.

Non-IFRSs Measure

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

Core Net Profit

The Group defines its core net profit as its adjusted EBITDA, which consists of profit for the period, adding back 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 gains/(losses) on convertible bonds — net and other gains, interest income on bank deposits, net exchange gains and share of (loss)/profit of investments accounted for using the equity method.

The Group's core net profit increased from RMB270.1 million for the six months ended 30 June 2020 to RMB294.0 million for the same period in 2021. The increase was primarily due to strong revenue growth as a result of the Group's nationwide expansion as well as economies of scale it achieved through the expansion process. As a percentage of the Group's revenue, the Group's core net profit for the first half of 2021 was 67.3%.

Earnings/(loss) per Share

The Group's basic loss per share and diluted loss per share were RMB0.0291 and RMB0.0291 for the six months ended 30 June 2020, while the basic earnings per share and diluted loss per share were RMB0.0835 and RMB0.0103 for the Reporting Period, respectively, primarily as a result of (i) the change from the loss for the period attributable to owners of the Company of RMB94.1 million for the six months ended 30 June 2020 to RMB273.1 million of profit for the Reporting Period; (ii) the dilutive effect attributable to fair value gains on convertible bonds during the first half of 2021.

Liquidity and Capital Resources

For the Reporting Period, the Group financed its operations primarily through cash from the Group's operations, borrowings from banks and other financial institutions, and placing of new shares. The Group intends to finance its expansion and business operations with internal resources, which it will obtain through organic and sustainable growth, and borrowings.

Cash and Cash Equivalents

As of 30 June 2021, the Group had cash and cash equivalents of RMB1,066.4 million (31 December 2020: RMB1,033.4 million), which primarily consisted of cash at bank and on hand that were denominated in Renminbi, U.S. dollars and Hong Kong dollars.

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

Indebtedness

(a) Borrowings

As of 30 June 2021, the Group's total outstanding borrowings amounted to RMB8,039.4 million. The Group's borrowings were denominated in Renminbi (as to 85.2%) and U.S. dollars (as to 14.8%). The following table sets forth a breakdown of the Group's current and non-current borrowings as of the dates indicated:

	As of 30 June 2021 Unaudited (in RMB thousands)	As of 31 December 2020 Audited
Non-current		
Long-term bank borrowings		
— secured by assets	4,447,192	3,321,126
— secured by assets and equity interest of certain subsidiaries	928,333	1,387,676
Long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries	632,992	350,070
Senior notes		
— secured by guarantees provided by certain subsidiaries	1,058,313	1,066,083
Asset-backed medium-term notes (“ABN”)		
— secured by assets	447,218	448,160
Commercial mortgage backed securities (“CMBS”)		
— secured by assets	475,901	477,840
Less: Long-term bank borrowings due within one year	(619,516)	(675,074)
Long-term borrowings from other financial institutions due within one year	(99,682)	(72,521)
Senior notes due within one year	(92,858)	(91,912)
ABN due within one year	(400)	(415)
CMBS due within one year	(700)	—
	<u>7,176,793</u>	<u>6,211,033</u>

	As of 30 June 2021 Unaudited <i>(in RMB thousands)</i>	As of 31 December 2020 Audited
Current		
Short-term bank borrowings		
— unsecured	49,500	50,000
Current portion of long-term bank borrowings		
— secured by assets	487,187	544,378
— secured by assets and equity interest of certain subsidiaries	132,329	130,696
Current portion of long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries	99,682	72,521
Current portion of senior notes		
— secured by guarantees provided by certain subsidiaries	92,858	91,912
Current portion of ABN		
— secured by assets	400	415
Current portion of CMBS		
— secured by assets	700	—
	<u>862,656</u>	<u>889,922</u>
Total borrowings	<u>8,039,449</u>	<u>7,100,955</u>

As of 30 June 2021, the Group's borrowings of RMB2,722.7 million (31 December 2020: RMB3,467.3 million) bore fixed interest rates and the remaining borrowings of RMB5,316.7 million bore floating interest rates. The weighted average effective interest rates of the Group's borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that were outstanding during the period, for the year ended 31 December 2020 and the Reporting Period were as follows:

	As of 30 June 2021 Unaudited	As of 31 December 2020 Audited
RMB	5.5%	5.9%
US\$	9.2%	11.2%

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

	As of 30 June 2021 Unaudited	As of 31 December 2020 Audited
	<i>(in RMB thousands)</i>	
Within one year	862,656	889,922
Between one and two years	2,146,151	2,009,408
Between two and five years	1,864,008	1,713,998
Over five years	3,166,634	2,487,627
Total Borrowings	8,039,449	7,100,955

The Group has the following undrawn borrowing facilities:

	As of 30 June 2021 Unaudited	As of 31 December 2020 Audited
	<i>(in RMB thousands)</i>	
Floating rate:		
— expiring within one year	360,376	—
— expiring beyond one year	299,560	717,978
Fixed rate:		
— expiring beyond one year	—	40,700
	659,936	758,678

Gearing Ratio

The Group's gearing ratio is calculated by dividing (i) the Group's total borrowings, convertible bonds, lease liabilities less cash and cash equivalents and restricted cash, being the Group's net debt, by (ii) the sum of net debt and the Group's total equity, being the Group's total capital. As of 31 December 2020 and 30 June 2021, the Group's gearing ratio was 41.6% and 38.6%, respectively.

Capital Expenditures

The Group made capital expenditures of RMB673.3 million for Reporting Period, which represents the spending on the development of its logistics park projects, the acquisition of land and the acquisition of property, plant and equipment during the Reporting Period. For the six months ended 30 June 2020, the Group made capital expenditures of RMB893.8 million. The Group's capital expenditures in the first half of 2021 were funded primarily by cash generated from its operating activities, bank borrowings and senior notes.

Contingent Liabilities and Guarantees

As of 30 June 2021, there were no significant unrecorded contingent liabilities, guarantees or litigation against the Group.

Charge on the Group Assets

For the details of charges on the Group's assets as at 30 June 2021, please refer to Note 11 set out in "Notes to the Interim Financial Information" in this announcement.

Funding and Treasury Policy

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

Material Acquisitions and Future Plans for Major Investment

During the Reporting Period, 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.

Placing of New Shares Under General Mandate in 2021

On 17 June 2021, an aggregate of 220,000,000 new shares of the Company, representing approximately 6.33% of the total issued share capital of the Company as at the aforesaid date had been placed at the placing price of HK\$3.54 per placing share to not less than six professional, institutional and/or individual investors who, together with their respective ultimate beneficial owners, are third parties independent of, not acting in concert with and not connected with the Company or its connected persons. None of the placees has become a substantial shareholder of the Company upon taking up the placing shares. The Company received total net proceeds of approximately HK\$767 million from the placing. The Company intends to use the net proceeds from the placing amounted to (i) approximately 50% of the net proceeds for its investments and acquisitions in land, particularly in the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta economic zone, the Bohai economic zone and the Pearl River Delta economic zone; (ii) approximately 40% of the net proceeds for the construction and development of warehousing facilities in the Group's projects under development; and (iii) approximately 10% of

the net proceeds for general working capital of the Group. For further details, please refer to the announcements of the Company dated 9 June 2021 and 17 June 2021.

Human Resources

As of 30 June 2021, the Group had a total of 202 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 a competitive remuneration package, which includes salary, bonuses and other cash subsidies. In general, the Group determines employees' salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group's employee benefit expenses include salaries, benefits and other compensations paid to all of its employees.

For the Reporting Period, the total employee benefit expenses of the Group (including salaries, wages, bonuses, employees share option expenses, pension, housing, medical insurance and other social insurance) amounted to RMB31.6 million, representing approximately 7.2% of the total revenue of the Group.

Pursuant to the pre-IPO share option scheme, options to subscribe for an aggregate amount of 15,824,000 shares (representing approximately 0.46% of the total issued share capital of the Company as of the date of this announcement) have been granted by the Company and no shares remained outstanding as of 30 June 2021.

Dividends

The Company did not declare or distribute any dividend to the Company's shareholders for the six months ended 30 June 2020 and for the same period of 2021.

Observance of Undertaking Relating to Lease Registration

Historically, certain leases of the Group for its logistics facilities, offices and registered addresses had not been registered and filed with relevant land and real estate administration bureaus in the PRC and prior to the listing of the Company, the Group had enhanced its internal control measures by, among others, (i) establishing a team to communicate and coordinate with tenants and lessors to obtain lease registration, (ii) reporting the status of lease registration to the Group's compliance committee on a quarterly basis, (iii) revising lease templates to include cooperation of tenants for lease registration as a contractual obligation to the Group's tenants, and (iv) ensuring that existing tenants sign future leases with such cooperation term upon renewal. As a result of the Group's dedication in the rectification of non-registration of leases, as of 30 June 2021, 7 leases out of the 202 leases for the Group's logistics facilities (covering GFA of approximately 3,187,187 sq.m.) had been registered. The Group is in the process of registering the remaining 195 leases and will take all practicable steps to ensure that such leases are registered.

Important Events After the Reporting Period

On 12 August 2021, Zhengzhou Yupei Warehousing Co., Ltd.* (鄭州宇培倉儲有限公司) (“**Zhengzhou Yupei**”) (a non-wholly-owned subsidiary of the Company, as lessor) and Henan Jingbangda Supply Chain Co., Ltd* (河南京邦達供應鏈有限公司) (“**JD Tenant**”) (an associate of a substantial shareholder of the Company, as lessee) entered into a lease agreement, pursuant to which Zhengzhou Yupei agreed to lease certain premises in Zhengzhou in the PRC to JD Tenant for a term commencing from 18 August 2021 to 17 August 2022. For further details, please refer to the announcement of the Company dated 12 August 2021.

On 17 August 2021, the Company, China Yupei Logistics Property Development Co. Ltd. (the “**Grantor**”) (a wholly-owned subsidiary of the Company) and Yupei Anhui Logistics Property Management Co., Ltd. (the “**BVI Target**”) (a wholly-owned subsidiary of the Company) entered into a call option agreement with China Logistics Supply Chain Holdings Co., Ltd (the “**Optionholder**”) (an associate of Mr. Li Shifa, an executive director of the Company), pursuant to which the Grantor granted to the Optionholder the right to purchase from the Grantor, and to require the Grantor to sell, all the option shares (being 50,000 ordinary shares of the BVI Target) at the exercise price of RMB277,658,000 at any time during the relevant exercise period by giving an exercise notice. For further details, please refer to the announcement of the Company dated 17 August 2021.

Save as disclosed above, the Board is not aware of any important event affecting the Group which has occurred since 30 June 2021.

* For identification purposes only

FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the interim financial information, which is unaudited but has been reviewed by the Company’s independent auditor, KPMG, in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, and by the Audit Committee.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021	31 December 2020
	<i>Note</i>	Unaudited RMB’000	Audited RMB’000
ASSETS			
Non-current assets			
Property, plant and equipment	6	102,303	115,572
Investment properties	6	20,952,000	20,289,000
Intangible assets	6	562	699
Right-of-use assets	6	166,119	178,424
Investments accounted for using the equity method		1,316,801	869,370
Financial assets at fair value through profit or loss (“ FVPL ”)		—	312,539
Long-term trade receivables	7(a)	480,723	26,918
Long-term prepayments		404,610	346,494
Restricted cash		33,508	35,677
		23,456,626	22,174,693
Current assets			
Trade and other receivables	7(a)	344,101	165,261
Prepayments	7(b)	141,028	111,491
Restricted cash		302,228	300,057
Cash and cash equivalents		1,066,424	1,033,353
		1,853,781	1,610,162
Total assets		25,310,407	23,784,855

		30 June 2021	31 December 2020
	<i>Note</i>	Unaudited RMB'000	Audited RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium	8(b)	7,142,142	6,510,073
Treasury shares	8(b)	(97,533)	(97,533)
Other reserves	9	(1,117)	(547,380)
Retained earnings		<u>5,173,152</u>	<u>4,900,007</u>
		12,216,644	10,765,167
Non-controlling interests		<u>842,506</u>	<u>819,725</u>
Total equity		<u>13,059,150</u>	<u>11,584,892</u>
LIABILITIES			
Non-current liabilities			
Borrowings	11	7,176,793	6,211,033
Long-term payables		85,372	76,011
Deferred income tax liabilities		2,201,359	2,104,056
Lease liabilities		263,123	263,750
Convertible bonds	12	<u>1,298,821</u>	<u>2,236,503</u>
		11,025,468	10,891,353
Current liabilities			
Trade and other payables	13	308,153	360,504
Current income tax liabilities		23,628	30,569
Borrowings	11	862,656	889,922
Lease liabilities		14,815	14,811
Contract liabilities		<u>16,537</u>	<u>12,804</u>
		1,225,789	1,308,610
Total liabilities		<u>12,251,257</u>	<u>12,199,963</u>
Total equity and liabilities		<u>25,310,407</u>	<u>23,784,855</u>

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2021 Unaudited RMB'000	2020 Unaudited RMB'000 Restated
Revenue	5	436,678	388,031
Cost of sales	14	(98,740)	(88,650)
Gross profit		337,938	299,381
Selling and marketing expenses	14	(19,788)	(14,518)
Administrative expenses	14	(50,369)	(39,501)
Net impairment losses on financial assets		(892)	(972)
Other income		16,661	4,449
Fair value gains on investment properties — net	6	81,512	269,067
Fair value gains/(losses) on convertible bonds — net	12	312,939	(159,954)
Other gains/(losses) — net		34,406	(58,564)
Operating profit		712,407	299,388
Finance income	15	9,218	12,029
Finance costs	15	(207,465)	(242,493)
Finance expenses — net	15	(198,247)	(230,464)
Share of (loss)/profit of investments accounted for using the equity method		(119,288)	3,870
Profit before income tax		394,872	72,794
Income tax expense	16	(98,946)	(139,422)
Profit/(loss) for the period		295,926	(66,628)
Profit/(loss) for the period attributable to:			
Owners of the Company		273,145	(94,104)
Non-controlling interests		22,781	27,476
		295,926	(66,628)
Other comprehensive income for the period, net of tax		1,442	68,529
Total comprehensive income for the period		297,368	1,901
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		274,587	(25,575)
Non-controlling interests		22,781	27,476
		297,368	1,901
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB)			
— Basic	17	0.0835	(0.0291)
— Diluted	17	(0.0103)	(0.0291)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the Company

	Note	Share capital and share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000 Restated	Unaudited RMB'000 Restated	Unaudited RMB'000 Restated	Unaudited RMB'000	Unaudited RMB'000 Restated
Balance at 31 December 2019		6,442,389	—	(408,724)	4,880,762	10,914,427	824,752	11,739,179
Comprehensive income								
Profit for the period as previously reported		—	—	—	(25,575)	(25,575)	27,476	1,901
Change in accounting policy — Change of functional currency	3(d)	—	—	—	(68,529)	(68,529)	—	(68,529)
Profit for the period as restated		—	—	—	(94,104)	(94,104)	27,476	(66,628)
Other comprehensive income								
Currency translation differences		—	—	68,529	—	68,529	—	68,529
Total comprehensive income		—	—	68,529	(94,104)	(25,575)	27,476	1,901
Transactions with equity owners in its capacity as equity owners								
Repurchase of shares	8(b)	—	(88,530)	—	—	(88,530)	—	(88,530)
Employees share option scheme — Exercise of share options	8(b),9	3,501	—	(1,912)	—	1,589	—	1,589
Total transactions with equity owners in their capacity as equity owners		3,501	(88,530)	(1,912)	—	(86,941)	—	(86,941)
Balance at 30 June 2020 and 1 July 2020, restated		<u>6,445,890</u>	<u>(88,530)</u>	<u>(342,107)</u>	<u>4,786,658</u>	<u>10,801,911</u>	<u>852,228</u>	<u>11,654,139</u>

Equity attributable to owners of the Company

	Share capital and share premium <i>RMB'000</i>	Treasury shares <i>RMB'000</i>	Other reserves <i>RMB'000</i> Restated	Retained earnings <i>RMB'000</i> Restated	Total <i>RMB'000</i> Restated	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i> Restated
Balance at 30 June 2020 and 1 July 2020, restated	6,445,890	(88,530)	(342,107)	4,786,658	10,801,911	852,228	11,654,139
Comprehensive income							
Profit for the period	—	—	—	116,939	116,939	16,309	133,248
Other comprehensive income							
Currency translation differences	—	—	(200,696)	—	(200,696)	—	(200,696)
Total comprehensive income	—	—	(200,696)	116,939	(83,757)	16,309	(67,448)
Transactions with equity owners in their capacity as equity owners							
Dividends distribution to non-controlling interests	—	—	—	—	—	(48,812)	(48,812)
Conversion of convertible bonds to ordinary shares	49,549	—	—	—	49,549	—	49,549
Repurchase of shares	—	(9,003)	—	—	(9,003)	—	(9,003)
Employees share option scheme — Exercise of share options	14,634	—	(8,167)	—	6,467	—	6,467
Profit appropriation to statutory reserves	—	—	3,590	(3,590)	—	—	—
Total transactions with equity owners in their capacity as equity owners	64,183	(9,003)	(4,577)	(3,590)	47,013	(48,812)	(1,799)
Balance at 31 December 2020	<u>6,510,073</u>	<u>(97,533)</u>	<u>(547,380)</u>	<u>4,900,007</u>	<u>10,765,167</u>	<u>819,725</u>	<u>11,584,892</u>

Equity attributable to owners of the Company

	Share capital and share premium	Treasury shares	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
<i>Note</i>	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Balance at 31 December 2020 and 1 January 2021	6,510,073	(97,533)	(547,380)	4,900,007	10,765,167	819,725	11,584,892
Comprehensive income							
Profit for the period	—	—	—	273,145	273,145	22,781	295,926
Other comprehensive income							
Currency translation differences	—	—	1,442	—	1,442	—	1,442
Total comprehensive income	—	—	1,442	273,145	274,587	22,781	297,368
Transactions with equity owners in its capacity as equity owners							
Recognition of convertible bonds reserve	9	—	548,433	—	548,433	—	548,433
Employees share option scheme — share options forfeited	9	—	(3,612)	—	(3,612)	—	(3,612)
Issuance of shares	8(b)	632,069	—	—	632,069	—	632,069
Total transactions with equity owners in their capacity as equity owners	632,069	—	544,821	—	1,176,890	—	1,176,890
Balance at 30 June 2021	<u>7,142,142</u>	<u>(97,533)</u>	<u>(1,117)</u>	<u>5,173,152</u>	<u>12,216,644</u>	<u>842,506</u>	<u>13,059,150</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021	2020
<i>Note</i>	Unaudited RMB'000	Unaudited RMB'000
Cash flows from operating activities		
Cash generated from operations	326,344	243,279
Interest received	6,943	11,909
Income tax paid	(7,310)	(953)
	<u>325,977</u>	<u>254,235</u>
Net cash generated from operating activities		
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(512)	(3,541)
Prepayment for land use rights	—	(37,117)
Proceeds from disposal of property, plant and equipment	—	423
Disposal of financial assets at FVPL	—	259,191
Acquisition of a joint venture	(247,078)	—
Cash injections to associates	(7,102)	—
Additions of investment properties	(672,758)	(853,112)
Additions of intangible assets	—	(259)
Payment of capital gain tax of disposal of subsidiaries	—	(34,858)
Payment of earnest for logistic properties	(656,475)	—
Proceeds from disposal of subsidiaries	3,000	330,913
Proceeds from disposal of an investment property	36,029	—
Receipt of advances to related parties	—	78,543
	<u>(1,544,896)</u>	<u>(259,817)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Decrease in restricted cash	(2)	(39,949)
Proceeds from exercise of share options	—	1,589
Proceeds from borrowings	2,020,177	1,091,180
Repayments of borrowings	(1,081,683)	(591,145)
Payment of guarantee deposits for borrowings	(9,528)	—
Payment of interest expenses	(217,063)	(296,692)
Payment of commission fees and other expenses related to issuance of senior notes	(2,611)	(114)
Proceeds from issuance of shares	8(b) 632,069	—
Principal element of lease payments	(8,372)	(5,505)
Payment of interest of convertible bonds	12 (53,301)	(35,450)
Repurchase of ordinary shares	8(b) —	(88,530)
(Repayment)/advances from a related party	(19,832)	31,232
	<u>1,259,854</u>	<u>66,616</u>
Net cash generated from financing activities		
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	40,935	61,034
Exchange (losses)/gains on cash and cash equivalents	1,033,353	1,166,331
	<u>(7,864)</u>	<u>2,678</u>
Cash and cash equivalents at end of the period	<u><u>1,066,424</u></u>	<u><u>1,230,043</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

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

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

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

This interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim financial information was approved for issue by the board of directors (the “Board”) of the Company on 25 August 2021.

This interim financial information has not been audited.

2 Basis of preparation

This interim financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34, “Interim financial reporting”. The interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020.

(a) Income tax

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

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

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

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

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

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

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

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”).

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

The following new standards, new amendments and interpretations to existing standards have been issued and are relevant to the Group’s operations but are not yet effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

Standards		Effective for annual periods beginning on or after
IAS 16 (Amendments)	<i>Property, plant and equipment: proceeds before intended use</i>	1 January 2022
IAS 37 (Amendments)	<i>Onerous contracts — cost of fulfilling a contract</i>	1 January 2022
IFRS 3 (Amendments)	<i>Reference to the conceptual framework</i>	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	<i>IFRS 9, IFRS 16, IFRS 1, IAS 41</i>	1 January 2022
IAS 1 (Amendments)	<i>Classification of liabilities as current or non-current</i>	1 January 2023
IFRS 17	<i>Insurance contracts</i>	1 January 2023
IAS 8 (Amendments)	<i>Definition of Accounting Estimate</i>	1 January 2023
IAS 1 (Amendments) and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
IFRS 10 and IAS 28 (Amendments)	<i>Sale or contribution of assets between an investor and its associate or joint venture</i>	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.

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

The directors have determined HK dollars to be the Company’s functional currency based on the circumstances of the Company alone in 2020 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 dollars has always been the functional currency of the Company. The amounts of the adjustment for each affected financial statement line items for prior interim period are as follow:

Consolidated statement of profit or loss and other comprehensive income (Extract)	30 June 2020		30 June 2020 Restated
	Originally presented	Change	
Other reserves	187,569	(532,676)	(342,107)
Retained earnings	4,256,982	532,676	4,786,658

Consolidated statement of profit or loss and other comprehensive income (Extract)	Period ended 30 June 2020 Before adjustment	Change	Period ended 30 June 2020 After adjustment
Fair value gains/(losses) on convertible bonds — net	(185,458)	25,504	(159,954)
Other gains/(losses) — net	72,707	(131,271)	(58,564)
Operating profit	405,155	(105,767)	299,388
Finance costs — net	(267,702)	37,238	(230,464)
Profit for the period	1,901	(68,529)	(66,628)
Other comprehensive income	—	68,529	68,529
Total comprehensive income	1,901	—	1,901
Earnings per share for profit attributable to owners of the Company (expressed in RMB)			
— Basic	(0.0079)	(0.0212)	(0.0291)
— Diluted	(0.0079)	(0.0212)	(0.0291)

4 Estimates

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

In preparing these interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5 Segment and revenue information

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

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

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

Revenue from customer A represents 25.7% of the Group's total revenue for the six months ended 30 June 2021 (30 June 2020: 29.5%).

The revenue of the Group for the six months ended 30 June 2021 and 2020 are set out as follows:

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Rental income	270,438	276,674
Revenue from providing management services	163,395	111,357
Others	2,845	—
	436,678	388,031

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

	Property, plant and equipment Unaudited RMB'000	Investment properties Unaudited RMB'000	Intangible assets Unaudited RMB'000	Right-of- use assets Unaudited RMB'000
Six months ended 30 June 2021				
Net book value or valuation				
Opening amount as at 1 January 2021	115,572	20,289,000	699	178,424
Additions	512	581,488	—	—
Fair value gains on investment properties	—	81,512	—	—
Depreciation and amortisation (Note 14)	(13,781)	—	(137)	(12,305)
Closing amount as at 30 June 2021	102,303	20,952,000	562	166,119
Six months ended 30 June 2020				
Net book value or valuation				
Opening amount as at 1 January 2020	129,266	19,399,000	861	239,051
Additions	3,541	758,933	238	—
Disposal of subsidiaries	(96)	(1,140,000)	—	—
Other disposals	(69)	—	—	—
Fair value gains on investment properties	—	269,067	—	—
Depreciation and amortisation (Note 14)	(8,491)	—	(221)	(18,816)
Closing amount as at 30 June 2020	124,151	19,287,000	878	220,235

Valuations of the Group's investment properties were performed by an independent professional valuer, Colliers International (Hong Kong) Limited ("Colliers"), to determine the fair values of the investment properties as at 30 June 2021 and 31 December 2020. The revaluation gains or losses are included in "Fair value gains on investment properties — net" in the consolidated statement of profit or loss and other comprehensive income.

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

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

7 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
Trade receivables (i)		
Rental and management service receivables from third parties	37,745	24,483
Rental and management service receivables from related parties	40,387	31,341
	<u>78,132</u>	<u>55,824</u>
Other receivables		
Deposits for land use rights and others (ii)	72,349	44,954
Other receivables for unpaid consideration for disposal of subsidiaries	3,936	7,200
Earnest payment for logistic properties (iii)	193,803	—
Other receivables for relocation compensation	—	36,029
Other receivables due from other third parties	993	2,790
Other receivables due from related parties	4,514	27,198
	<u>275,595</u>	<u>118,171</u>
Less: Loss allowance for trade receivables	(3,004)	(2,112)
Loss allowance for other receivables	(6,622)	(6,622)
	<u>(9,626)</u>	<u>(8,734)</u>
	<u><u>344,101</u></u>	<u><u>165,261</u></u>

- (i) As at 30 June 2021, trade receivables of RMB54,160,000 (31 December 2020: RMB21,513,000) were pledged as collaterals for the bank borrowings (Note 11).
- (ii) As at 30 June 2021, guarantee deposits of RMB13,928,000 (31 December 2020: RMB4,400,000) were paid to certain other financial institution as collateral for borrowings (Note 11).
- (iii) Pursuant to the letters of intent, the Group paid the earnest for intention to acquire logistic properties via acquisition of equity interests from the owners, via its wholly-owned subsidiary, with an amount of US\$30,000,000 and US\$71,395,485 (included in Long-term trade receivables) (equivalent to approximately RMB193,803,000 and RMB461,222,000, respectively). The letters of intent have a 12-month or 24-month validity and will expire at the earliest of the validity, the date when both parties entered into with a formal cooperation framework agreement or the date when both parties agree to terminate the letter of intent.

As at 30 June 2021 and 31 December 2020, the fair values of the current portion of trade and other receivables of the Group approximated their carrying amounts. As at 30 June 2021 and 31 December 2020, all carrying amounts of trade and other receivables were denominated in RMB.

As at 30 June 2021 and 31 December 2020, the aging analysis of the trade receivables based on the dates that the Group was entitled to collect the rental income, was as follows:

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 30 days	25,388	19,153
31 to 90 days	27,163	17,535
91 to 365 days	24,630	17,995
Over 365 days	951	1,141
	<u>78,132</u>	<u>55,824</u>

(b) Prepayments

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Current portion of prepaid taxes other than income tax	111,955	87,677
Prepaid interests of ABN	22,449	11,733
Prepayments for utilities	5,698	9,881
Prepaid income taxes	926	2,200
	<u>141,028</u>	<u>111,491</u>

8 Share capital and share premium, and treasury shares

(a) Authorised shares

	Number of authorised shares Unaudited
At 1 January 2021 and 30 June 2021	<u>8,000,000,000</u>
At 1 January 2020 and 30 June 2020	<u>8,000,000,000</u>

(b) *Issued shares*

	Number of issued shares Unaudited	Ordinary shares Unaudited RMB'000	Treasury shares Unaudited RMB'000	Share premium Unaudited RMB'000	Total Unaudited RMB'000
At 1 January 2021	3,254,283,058	1,328	(97,533)	6,508,745	6,412,540
Issue of ordinary shares (i)	<u>220,000,000</u>	<u>89</u>	<u>—</u>	<u>631,980</u>	<u>632,069</u>
At 30 June 2021	<u>3,474,283,058</u>	<u>1,417</u>	<u>(97,533)</u>	<u>7,140,725</u>	<u>7,044,609</u>
At 1 January 2020	3,234,192,999	1,320	—	6,441,069	6,442,389
Employee share option scheme					
— Exercise of options (Note 10)	1,072,000	—	—	3,501	3,501
Repurchase of shares (ii)	<u>—</u>	<u>—</u>	<u>(88,530)</u>	<u>—</u>	<u>(88,530)</u>
At 30 June 2020	<u>3,235,264,999</u>	<u>1,320</u>	<u>(88,530)</u>	<u>6,444,570</u>	<u>6,357,360</u>

(i) On 9 June 2021, the Company placed an aggregate of 220,000,000 new shares at the placing price of HK\$3.54 in accordance with the terms and conditions of the placing agreement. The net proceeds from the placing is equivalent to RMB632,069,000.

(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 30 June 2020, The Trustee, on behalf of the Company, has repurchased 33,503,000 ordinary shares with total amount of RMB88,530,000.

9 Other reserves

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
		Restated
Balance at 1 January	547,380	408,724
Currency translation difference	(1,442)	(68,529)
Recognition of convertible bonds reserve	(548,433)	—
Employee share option scheme		—
— Exercise of share options	—	1,912
— Forfeit of share options	<u>3,612</u>	<u>—</u>
Balance at 30 June	<u>1,117</u>	<u>342,107</u>

10 Share-based payments

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

	For the six months period ended 30 June			
	2021		2020	
	Average exercise price in HK\$ per share Unaudited	Number of options Unaudited	Average exercise price in HK\$ per share Unaudited	Number of options Unaudited
As at 1 January	1.625	1,872,200	1.625	7,542,200
Exercised (Note 8)	1.625	—	1.625	(1,072,000)
Forfeited	1.625	(1,872,200)	1.625	—
As at 30 June		—	1.625	6,470,200

11 Borrowings

	As at	
	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets (a)	4,447,192	3,321,126
— secured by assets and equity interest of certain subsidiaries (b)	928,333	1,387,676
Long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries (d)	632,992	350,070
Senior notes		
— secured by guarantees provided by certain subsidiaries (e)	1,058,313	1,066,083
ABN		
— secured by assets (f)	447,218	448,160
CMBS		
— secured by assets (g)	475,901	477,840
	7,989,949	7,050,955
Less: Long-term bank borrowings due within one year	(619,516)	(675,074)
Long-term borrowings from other financial institutions due within one year	(99,682)	(72,521)
Senior notes due within one year	(92,858)	(91,912)
ABN due within one year	(400)	(415)
CMBS due within one year	(700)	—
	7,176,793	6,211,033

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
Current		
Short-term bank borrowings		
— unsecured (c)	49,500	50,000
Current portion of long-term bank borrowings		
— secured by assets (a)	487,187	544,378
— secured by assets and equity interest of certain subsidiaries (b)	132,329	130,696
Current portion of long-term borrowings from other financial institutions-secured by assets and equity interests of certain subsidiaries (d)	99,682	72,521
Current portion of senior notes		
— secured by guarantees provided by certain subsidiaries (e)	92,858	91,912
Current portion of ABN		
— secured by assets (f)	400	415
Current portion of CMBS		
— secured by assets (g)	700	—
	<u>862,656</u>	<u>889,922</u>
Total borrowings	<u><u>8,039,449</u></u>	<u><u>7,100,955</u></u>

- (a) As at 30 June 2021, bank borrowings of RMB3,193,191,000 (31 December 2020: RMB2,217,349,000) with undrawn borrowings amounting to RMB516,036,000 (31 December 2020: RMB717,978,000) were secured by the investment properties of the Group amounting to RMB10,921,000,000 (31 December 2020: RMB8,723,000,000).

As at 30 June 2021, bank borrowings of RMB298,170,000 (31 December 2020: RMB298,320,000) were secured by restricted deposits of the Group amounting to RMB300,000,000 (31 December 2020: RMB300,000,000).

As at 30 June 2021, bank borrowings of RMB650,732,000 (31 December 2020: RMB487,647,000) with undrawn borrowing amounting to RMB11,500,000 (31 December 2020: RMB11,500,000) were secured by the investment properties of the Group amounting to RMB2,023,000,000 (31 December 2020: RMB1,562,000,000), trade receivables amounting to RMB18,540,000 (31 December 2020: RMB10,313,000), and the rental income generated from the lease of the investment properties during the terms of the borrowings (31 December 2020: secured by the rental income).

As at 30 June 2021, bank borrowings of RMB248,927,000 (31 December 2020: RMB253,654,000) were secured by the investment properties of the Group amounting to RMB708,000,000 (31 December 2020: RMB715,000,000), trade receivables amounting to RMB2,832,000 (31 December 2020: RMB352,000), the rental income generated from the lease of the investment properties during the terms of the borrowings (31 December 2020: secured by the rental income), and restricted deposits of the Group amounting to RMB20,000,000 (31 December 2020: RMB20,000,000).

As at 30 June 2021, bank borrowings of RMB56,172,000 (31 December 2020: RMB64,156,000) were secured by the investment properties of the Group amounting to RMB498,000,000 (31 December 2020: RMB508,000,000) and restricted deposits of the Group amounting to RMB8,500,000 (31 December 2020: RMB8,500,000).

- (b) As at 30 June 2021, bank borrowing of RMB409,704,000 (31 December 2020: RMB913,473,000) was secured by the investment properties of the Group amounting to RMB1,965,000,000 (31 December 2020: RMB2,001,000,000) and the Group's equity interests in certain subsidiaries (31 December 2020: secured by the Group's equity interests).

As at 30 June 2021, bank borrowings of RMB518,629,000 (31 December 2020: RMB474,203,000) with no undrawn borrowing (31 December 2020: RMB29,200,000) were secured by the investment properties of the Group amounting to RMB1,890,000,000 (31 December 2020: RMB1,311,000,000), trade receivables amounting to RMB11,289,000 (31 December 2020: RMB685,000), the rental income generated from the lease of the investment properties during the terms of the borrowings (31 December 2020: secured by the rental income), and the Group's equity interests in certain subsidiaries (31 December 2020: secured by the Group's equity interests).

- (c) As at 30 June 2021, bank borrowings of RMB49,500,000 (31 December 2020: RMB50,000,000) were unsecured.
- (d) As at 30 June 2021, borrowings from other financial institutions of RMB632,992,000 (31 December 2020: RMB350,070,000) were secured by the investment properties of the Group amounting to RMB2,073,000,000 (31 December 2020: RMB874,000,000), trade receivables amounting to RMB14,096,000 (31 December 2020: RMB4,698,000), the rental income generated from the lease of the investment properties during the terms of the borrowings, guarantee deposits amounting to RMB13,928,000 (31 December 2020: RMB4,400,000), and the Group's equity interests in certain subsidiaries (31 December 2020: the Group's equity interests).
- (e) 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.

- (f) 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 RMB1,508,000,000 (31 December 2020: RMB1,497,000,000), trade receivables amounting to RMB1,741,000 (31 December 2020: RMB888,000), 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 2020: 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 6.50% per annum, and both principal and interest are payable quarterly.
- (g) On 7 August 2020, the Company's subsidiary — Shanghai Yupei issued 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 RMB1,071,000,000 (31 December 2020: RMB1,070,000,000), trade receivables amounting to RMB5,662,000 (31 December 2020: RMB4,577,000), rental income generated from the lease of the investment properties during the terms of CMBS pledged as collaterals for the CMBS (31 December 2020: secured by the rental income). 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 values of current and non-current borrowings and the carrying amounts measured at amortised cost are not materially different. The fair values are based on cash flows discounted using a rate based on the borrowing rate of borrowings with similar credit risk within level 3 of the fair value hierarchy.

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
Floating rate:		
— expiring within one year	360,376	—
— expiring beyond 1 year	299,560	717,978
Fixed rate:		
— expiring beyond 1 year	—	40,700
	659,936	758,678

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.

12 Convertible bonds

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
		Restated
At 1 January	2,236,503	996,259
Payment of interest	(53,301)	(35,450)
Currency translation differences	(23,009)	25,504
Recognition of convertible bonds reserve	(548,433)	—
Fair value change	(312,939)	159,954
At 30 June	1,298,821	1,146,267

Pursuant to the agreement in relation to the issue of the convertible bonds, if the average volume-weighted average price ("VWAP") of the shares on each of the 20 consecutive trading days immediately prior to the first and the second anniversary of the issue of convertible bonds is lower than the then conversion price, the conversion price should be adjusted to the lower market price. The adjusted conversion price should not be lower than 80% of the conversion price.

Pursuant to the anti-dilutive terms of the 2019 and 2020 convertible bonds, the placing of new shares (note 8(b)) will result in an adjustment to the conversion price of the 2019 and 2020 convertible bonds, from HK\$3.19 to HK\$3.15 effective from 17 June 2021, being the date of issue of the placing shares.

As the reset of conversion price will become expire after the second anniversary of the issue of 2019 convertible bonds, the conversion price will become fixed save as the anti-dilutive terms, the conversion price of the 2019 convertible bonds was fixed to HK\$3.15 per share with effect from 26 June 2021 which is the second anniversary of the issue of 2019 convertible bonds, and the derivatives arising from change in conversion price of convertible bonds of HK\$657,507,228 (equivalent to RMB548,433,000) was transferred to convertible bonds reserve on that date. The remaining components at 2019 convertible bonds are still measured at fair value, with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

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

The valuations for the fair values of the 2019 and 2020 convertible bonds at Issue date were carried out by an independent external valuer.

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

	30 June 2021		As at 31 December 2020	
	2019 Convertible Bonds	2020 Convertible Bonds	2019 Convertible Bonds	2020 Convertible Bonds
Conversion price	HK\$3.15	HK\$3.15	HK\$3.19	HK\$3.19
Stock price	HK\$3.54	HK\$3.54	HK\$4.54	HK\$4.54
Stock price volatility	33.96%	36.32%	34.18%	35.35%
VWAP	HK\$3.53	HK\$3.53	HK\$4.43	HK\$4.43
VWAP volatility	36.33%	33.36%	30.53%	32.54%
Coupon rate	6.95%	6.95%	6.95%	6.95%
Effective interest rate	30.38%	32.00%	35.62%	35.34%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free rate	0.50%	0.77%	0.38%	0.47%

The fair values of the remaining components of 2019 convertible bonds at 30 June 2021 is HK\$615,583,763 (equivalent to RMB512,214,938) (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 30 June 2021 would be approximately RMB10,733,000 lower or RMB11,417,000 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 2019 convertible bonds at 30 June 2021 would be approximately RMB1,852,000 lower or RMB2,095,000 higher.

The fair values of the 2020 convertible bonds at 30 June 2021 is HK\$945,349,465 (equivalent to RMB786,606,382) (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 30 June 2021 would be approximately RMB4,379,000 lower or RMB4,553,000 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 30 June 2021 would be approximately RMB4,871,000 higher or RMB4,834,000 lower.

13 Trade and other payables

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for construction costs	81,246	110,924
Rental deposits and other deposits payable to third parties	33,623	54,089
Prepaid rents from third parties	33,242	21,431
Rental deposits payable to related parties	24,723	32,574
Accrued operating expenses	23,796	28,972
Interest payable	36,098	28,031
Other taxes payable	25,504	26,675
Advances from a related party	3,463	23,295
Employee benefit payables	4,821	11,209
Prepaid rents from related parties	10,155	11,012
Contract termination compensation	—	4,000
Payables for commission fees and other expenses related to issuance of senior notes	719	3,330
Payables for commission fees and other expenses related to issuance of convertible bonds	2,248	2,127
Payables for land use rights commission fee	26,346	2,367
Others	2,169	468
	<u>308,153</u>	<u>360,504</u>

- (a) At 30 June 2021 and 31 December 2020, the ageing analysis of payables for construction costs based on the dates that the Group had the payment obligation for the construction costs, was as follows:

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	75,580	103,553
1 year to 2 years	2,994	5,139
Over 2 years	2,672	2,232
	<u>81,246</u>	<u>110,924</u>

14 Expenses by nature

	Six months ended 30 June	
	2021	2020
	Unaudited RMB'000	Unaudited RMB'000
Property tax, land tax and other tax charges	54,463	54,266
Depreciation and amortisation expenses (Note 6)	26,223	27,528
Employee benefit expenses — including directors' emoluments	31,589	23,348
Maintenance and repairing costs	24,154	20,367
Professional fees	13,928	3,100
Utilities and office expenses	4,907	3,770
Leasing commission	3,145	4,581
Travelling expenses	2,153	1,640
Auditors' remuneration		
— Audit services	1,400	1,500
— Non-audit services	—	1,000
Entertainment expenses	1,099	506
Leasing fees of short-term leases	1,094	843
Covid-19-related rent concessions	—	(2,785)
Other expenses	4,742	3,005
	<u>168,897</u>	<u>142,669</u>

15 Finance expenses — net

	Six months ended 30 June	
	2021	2020
	Unaudited RMB'000	Unaudited RMB'000 Restated
Finance expenses		
Interest on bank borrowings	(141,461)	(127,876)
Interest on borrowings from other financial institutions	(10,062)	(4,546)
Interest on senior notes	(48,922)	(153,186)
Interest on ABN and CMBS	(31,518)	(16,826)
Interest on lease liabilities	(7,749)	(8,917)
	<u>(239,712)</u>	<u>(311,351)</u>
Less: capitalization of interest	30,615	75,139
	<u>(209,097)</u>	<u>(236,212)</u>
Exchange gains/(losses)	1,632	(6,940)
Less: capitalization of exchange losses	—	659
	<u>1,632</u>	<u>(6,281)</u>
	<u>(207,465)</u>	<u>(242,493)</u>
Finance income		
Interest income on bank deposits	9,218	12,029
	<u>9,218</u>	<u>12,029</u>
Net finance expenses	<u>(198,247)</u>	<u>(230,464)</u>

16 Income tax expense

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

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

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Current income tax	1,643	52,871
Deferred income tax	97,303	86,551
	<u>98,946</u>	<u>139,422</u>

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

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

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

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

(iv) PRC withholding income tax

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

The Group did not recognise deferred tax liability on accumulated undistributed profit of its PRC subsidiaries as at 30 June 2021 and 31 December 2020, because the subsidiaries do not intend to distribute dividend in foreseeable future.

17 Earnings/(loss) per share

(a) Basic

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

	Six months ended 30 June	
	2021 Unaudited	2020 Unaudited Restated
Profit/(loss) attributable to owners of the Company (RMB'000)	273,145	(94,104)
Weighted average number of ordinary shares in issue	<u>3,271,299,633</u>	<u>3,234,486,336</u>
Basic earnings/(loss) per share (RMB per share)	<u>0.0835</u>	<u>(0.0291)</u>

(b) *Diluted*

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

	Six months ended 30 June 2021 Unaudited
Profit attributable to owners of the Company (RMB'000)	273,145
Less: fair value changes of the convertible note (Note 12)	<u>(312,939)</u>
Adjusted loss attributable to owners of the Company (RMB'000)	<u><u>(39,794)</u></u>
Weighted average number of ordinary shares in issue	3,271,299,633
Adjustment for shares granted under the convertible bonds	<u>576,757,159</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>3,848,056,792</u></u>
Diluted loss per share (RMB per share)	<u><u>(0.0103)</u></u>

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

18 Dividends

The Company did not declare or distribute any dividend to the Company's shareholders for the six months ended 30 June 2021 and for the same period of 2020.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the Reporting Period.

INTERIM DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Mr. Li Shifa is currently the chairman of the Board, the chief executive officer and the president of the Group. With extensive experience in the logistics facilities industry, Mr. Li is responsible for formulating and leading the implementation of the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group and is instrumental to the growth and business expansion of the Group since its establishment in 2000. The Board considers that vesting the roles of chairman, chief executive officer and president in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently comprises six executive directors (including Mr. Li), 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’ dealings in the Company’s securities. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

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

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. The principal duties of the Audit Committee include the review of the Group's financial controls, risk management and internal control systems, and financial and accounting policies and practices. As of the date of this 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 Interim Results for the Reporting Period.

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

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and that of the Company (www.cnlpholdings.com). The interim report will be dispatched to the shareholders of the Company and will be available on the website 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, 25 August 2021

As of the date of this announcement, Mr. Li Shifa, Mr. Wu Guolin, Ms. Li Huifang, 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 of the Company.