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China Logistics Property Holdings Co., Ltd
中國物流資產控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1589)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change %
	2021 RMB'000	2020 RMB'000	
Revenue	905,035	798,637	13.3
Gross profit	675,205	618,257	9.2
Gross profit margin	74.6%	77.4%	(2.8) ⁽⁴⁾
Profit for the year ⁽¹⁾	25,787	66,620	(61.3)
Non-IFRSs items:			
Core net profit ⁽²⁾⁽³⁾	576,601	510,374	13
Core net profit margin	63.7%	63.9%	(0.2) ⁽⁴⁾

OPERATIONAL HIGHLIGHTS

Major operating data of the Group's logistics parks

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

	As at 31 December	
	2021	2020
Completed GFA:		
Stabilized logistics parks (million sq.m.) ⁽⁵⁾	3.5	2.8
Pre-stabilized logistics parks (million sq.m.) ⁽⁶⁾⁽⁷⁾	0.5	0.8
Total (million sq.m.)	4.0	3.6
Logistics parks under development or being repositioned (million sq.m.)	0.4	0.4
Land held for future development (million sq.m.)	0.7	0.4
Assets classified as held for sale/Investments accounted for using equity method (million sq.m.)	0.6	0.6
Total GFA (million sq.m.)	5.7	5.0
Investment projects (million sq.m.) ⁽⁸⁾	4.1	3.8
Occupancy rate for stabilized logistics parks (%) ⁽⁵⁾	92.9	90.2

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

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

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

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

- (5) Logistics facilities (i) that had been in operation for more than 12 months as at 31 December 2021 or 2020 (as the case may be) or (ii) reached an occupancy rate of 90%.
- (6) Logistics facilities (i) that had been completed and in operation for less than 12 months as at 31 December 2021 or 2020 (as the case may be) and (ii) reached an occupancy rate less than 90%.
- (7) After the completion of the construction or acquisition, various government infrastructure preparations and inspections are required before the logistics facilities can commence operations, such as roads, water supply, electricity cable and heating system. In certain cases, due to the surrounding government supporting facilities might still be in the making when the construction or acquisition is completed, the process can take longer than it previously did. To factor this in, the Company now categorizes logistics facilities that had been in operation for less than 12 months to be pre-stabilized logistics facilities.
- (8) Logistics park projects for which investment agreements for the acquisition of land have been entered into but land grant contracts or formal acquisition agreements have not been entered into.

The board (the “**Board**”) of directors (the “**Directors**”) of China Logistics Property Holdings Co., Ltd (the “**Company**”) is pleased to announce the consolidated annual results (the “**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) extracted from the consolidated financial statements of the Group to be set out in its 2021 annual report. In addition, the Annual Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	Year ended 31 December	
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	905,035	798,637
Cost of sales	4	(229,830)	(180,380)
Gross profit		675,205	618,257
Selling and marketing expenses	4	(42,263)	(34,574)
Administrative expenses	4	(153,626)	(117,011)
Net impairment losses on financial assets		(5,577)	(1,532)
Other income		22,682	27,439
Fair value gains on investment properties – net	9	163,740	678,559
Fair value gains/(losses) on convertible bonds – net	15	153,914	(802,092)
Fair value losses on financial liabilities at fair value through profit or loss (“FVPL”)		(87,055)	—
Other net gains		153,956	429,043
Operating profit		880,976	798,089
Finance income		24,646	35,717
Finance costs		(417,115)	(488,302)
Finance expenses — net	5	(392,469)	(452,585)
Share of (losses)/profits of investments accounted for using the equity method		(229,502)	9,920
Profit before income tax		259,005	355,424
Income tax expense	6	(233,218)	(288,804)
Profit for the year		25,787	66,620
(Loss)/Profit for the year attributable to:			
Owners of the Company		(2,813)	22,835
Non-controlling interests		28,600	43,785
		25,787	66,620

		Year ended 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Other comprehensive income for the year, net of tax			
Items that will not be reclassified to profit or loss:			
Change in fair value of convertible bonds from own credit risk		(92,354)	—
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences		203	(132,167)
		(92,151)	(132,167)
		(66,364)	(65,547)
Total comprehensive income for the year			
Total comprehensive income for the year attributable to:			
Owners of the Company		(94,964)	(109,332)
Non-controlling interests		28,600	43,785
		(66,364)	(65,547)
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB)			
— Basic	7	(0.0008)	0.0070
— Diluted	7	(0.0396)	0.0070
Dividends			
	8	—	—

**CONSOLIDATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

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

		As at 31 December	
		2021	2020
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Borrowings	13	6,859,291	6,211,033
Long-term payables		94,341	76,011
Deferred income tax liabilities		2,291,464	2,104,056
Lease liabilities		—	263,750
Convertible bonds	15	563,602	2,236,503
Financial liabilities at FVPL		10,130	—
		9,818,828	10,891,353
Current liabilities			
Trade and other payables	14	350,036	360,504
Current income tax liabilities		68,094	30,569
Borrowings	13	1,964,649	889,922
Lease liabilities		2,766	14,811
Contract liabilities	3(b)	17,387	12,804
Convertible bonds	15	906,377	—
Financial liabilities at FVPL		77,756	—
		3,387,065	1,308,610
Total liabilities		13,205,893	12,199,963
Total equity and liabilities		24,830,316	23,784,855

NOTES TO THE FINANCIAL INFORMATION

1 General information of the Group

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

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

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

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

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”). The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- derivative financial assets/liabilities;
- investment properties; and
- convertible bonds.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

2.1.1 Changes in accounting policies

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

- (b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Reference to the conceptual framework</i>	1 January 2022
Amendments to IAS 16, <i>Property, plant and equipment: Proceeds before intended use</i>	1 January 2022
Amendments to IAS 37, <i>Onerous contracts — cost of fulfilling a contract</i>	1 January 2022
Annual improvements to <i>IFRSs 2018-2020 cycle</i>	1 January 2022
Amendments to IAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to IAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to IAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3 Revenue

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income	562,155	550,008
Revenue from provision of property management services (a)	337,334	247,516
Others	5,546	1,113
	<u>905,035</u>	<u>798,637</u>

(a) *Unsatisfied property management services*

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term property management services that are partially or fully unsatisfied as at 31 December	<u>1,185,030</u>	<u>923,635</u>

Management expects that approximately 28% of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during 2022, and approximately 18% will be recognised as revenue during 2023. The remaining approximately 54% will be recognised during financial years starting from 2024. The amount disclosed above does not include variable consideration which is constrained.

(b) *Contract liabilities*

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities		
— Property management services	<u>17,387</u>	<u>12,804</u>

(i) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
— Property management services	<u>12,804</u>	<u>7,937</u>

4 Expenses by nature

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Property tax, land tax and other tax charges	114,270	106,593
Employee benefit expenses - including directors' emoluments	71,144	59,002
Professional fees	50,300	41,088
Maintenance and repairing costs	51,674	41,589
Depreciation of right-of-use assets	16,407	28,976
Depreciation of property, plant and equipment	80,604	17,111
Leasing commission	7,121	12,348
Utilities and office expenses	11,008	7,771
Travelling expenses	4,339	4,290
Auditor's remuneration		
— Audit services	2,600	3,600
— Non-audit services	2,050	1,000
Insurance expenses	4,193	3,369
Leasing fees	2,665	2,889
Entertainment expenses	2,087	2,206
Bank charges	714	636
Covid-19-related rent concessions	—	(2,785)
Other expenses	4,543	2,282
	<hr/>	<hr/>
Total cost of sales, selling and marketing expenses and administrative expenses	425,719	331,965
	<hr/> <hr/>	<hr/> <hr/>

5 Finance expenses — net

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Finance expenses		
Interest on bank borrowings	(265,856)	(269,904)
Interest on borrowings from other financial institutions	(30,590)	(10,585)
Interest on borrowings from third parties	(22,945)	—
Interest on senior notes	(91,381)	(256,105)
Interest on ABN and CMBS	(56,735)	(44,545)
Interest expense on lease liabilities	(10,442)	(17,850)
	<hr/>	<hr/>
	(477,949)	(598,989)
Less: capitalization of interest (Note 9)	60,834	138,747
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Net interest expenses	(417,115)	(460,242)
	<hr/>	<hr/>
Transaction cost of convertible bonds	—	(28,060)
	<hr/>	<hr/>
	(417,115)	(488,302)
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Finance income		
Exchange gains	13,269	12,087
Interest income on bank deposits	11,377	23,630
	<hr/>	<hr/>
	24,646	35,717
	<hr/>	<hr/>
Net finance expenses	(392,469)	(452,585)
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6 Income tax expense

PRC profits tax has been provided at the rate of 25% on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current tax		
Current tax on profits for the year	4,582	13,190
Capital gain tax (a)	39,342	35,335
Withholding tax (b)	1,899	—
Adjustments for current tax of prior periods	(13)	(2,519)
Total current tax expense	45,810	46,006
Deferred income tax	187,408	242,798
Income tax expense	233,218	288,804

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

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

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

CIT is provided at the rate of 25% (2020: 25%) on the assessable income of entities within the Group incorporated in the PRC.

(iv) PRC withholding income tax

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

(v) PRC capital gain tax

According to the State Administration of Taxation Announcement [2015] No. 7, where a non-resident enterprise makes indirect transfer of assets such as the equity of a Chinese resident enterprise through arrangements which do not have a reasonable commercial objective to circumvent enterprise income tax payment obligation, the indirect transfer shall be redefined pursuant to the provisions of Article 47 of the Enterprise Income Tax Law as direct transfer of assets such as equity of Chinese resident enterprises. The income of such transfer of equity is demanded to pay incoming tax withholding at source.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before tax	259,005	355,424
Tax calculated at domestic tax rates applicable to profits in the respective countries	129,672	262,233
Tax effects of:		
— Expenses not deductible for tax purpose	1,479	443
— Income not subject to tax	(1,141)	(2,032)
— Tax losses for which the deferred income tax asset was not recognised	48,825	18,761
— Other temporary differences for which the deferred income tax asset was not recognised	14,667	—
— Utilization of previously unrecognised tax losses	(1,512)	(23,417)
— Capital gain tax on disposal of subsidiaries (a)	39,342	35,335
— Withholding tax (b)	1,899	—
— Adjustments for current tax of prior periods	(13)	(2,519)
Tax charge	233,218	288,804

During the year ended 31 December 2021, the effective tax rate is 90.0% (2020: 81.3%).

- (a) The Group sold about 90% of total equity interest in certain management companies to a third party in 2020. The transfer of equity interest was subject to a 10% capital gain tax. The filing of such equity transfer transaction was completed with relevant capital gain tax paid in 2021.

As mentioned in Note 13(h), the legal title of Yupei Wuxi Logistics Property Development Co., Limited ("Yupei Wuxi HK") who directly holds the equity interest in the Wuxi Project Company was transferred to ACRE Magnolia Pte. Ltd. ("ACRE") notwithstanding the Group is of the view that it can still holds the control over Yupei Wuxi HK. The legal tile transfer of equity interest of Yupei Wuxi HK was subject to a 10% capital gain tax. The filing of such equity transfer transaction was completed with relevant capital gain tax paid in February 2022.

- (b) During the year ended 31 December 2021, certain subsidiaries of the Group established in the PRC have entered into loan agreements with subsidiaries established in Hong Kong. Interest income earned by Hong Kong subsidiaries is subject to PRC withholding income tax.

7 (Loss)/Earnings per share

(a) Basic

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

	Year ended 31 December	
	2021	2020
(Loss)/Profit attributable to equity owners of the Company (RMB'000)	(2,813)	22,835
Weighted average number of ordinary shares in issue	<u>3,373,625,524</u>	<u>3,239,406,046</u>
Basic (loss)/earnings per share (RMB)	<u>(0.0008)</u>	<u>0.0070</u>

(b) Diluted

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

	Year ended 31 December	
	2021	2020
(Loss)/Profit attributable to equity owners of the Company (RMB'000)	(2,813)	22,835
Adjustment for convertible bonds	<u>(153,914)</u>	<u>—</u>
	<u>(156,727)</u>	<u>22,835</u>
Weighted average number of ordinary shares in issue	3,373,625,524	3,239,406,046
Adjustment for shares granted under share option scheme	—	963,529
Adjustment for shares granted under the convertible bonds	<u>580,160,291</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>3,953,785,815</u>	<u>3,240,369,575</u>
Diluted (loss)/earnings per share (RMB)	<u>(0.0396)</u>	<u>0.0070</u>

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

8 Dividends

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2021 (2020: Nil).

9 Investment properties

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

During the year ended 31 December 2021, the Group has capitalised borrowing costs amounting to RMB60,834,000 (2020: RMB138,747,000) on investment properties under construction (Note 5). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.6% (31 December 2020: 6.5%).

At 31 December 2021, investment properties of the Group with a total fair value amounting to RMB19,873,000,000 (31 December 2020: RMB18,261,000,000) were pledged as collateral mortgaged for borrowings (Note 13).

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

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

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

10 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
Rental income receivables from third parties (i)	42,902	24,483
Rental income receivables from related parties (i)	14,592	31,341
	<u>57,494</u>	<u>55,824</u>
Other receivables		
Other receivables for land use rights and other deposits (ii)	74,368	44,954
Other receivables due from related parties	13,319	27,198
Receivables from government for relocation compensation	—	36,029
Other receivables for unpaid consideration for disposal of subsidiaries	—	7,200
Other receivables due from other third parties	458	2,790
	<u>88,145</u>	<u>118,171</u>
Less: Loss allowance for trade receivables	(4,511)	(2,112)
Loss allowance for other receivables	(9,800)	(6,622)
	<u>(14,311)</u>	<u>(8,734)</u>
	<u><u>131,328</u></u>	<u><u>165,261</u></u>

(i) As at 31 December 2021, trade receivables of RMB27,344,000 (31 December 2020: RMB21,513,000) (Note 13) were pledged as collateral for borrowings.

(ii) As at 31 December 2021, guarantee deposits of RMB23,900,000 (31 December 2020: RMB4,400,000) (Note 13) were paid to certain financial institution as collateral for borrowings.

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

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 30 days	24,393	19,153
31 to 90 days	10,867	17,535
91 to 365 days	20,280	17,995
Over 365 days	1,954	1,141
	<u>57,494</u>	<u>55,824</u>

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

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. This resulted in an increase of the loss allowance on both 31 December 2021 and 2020.

(b) Prepayments

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current portion of prepaid taxes other than income tax	100,035	87,677
Prepaid interests of ABN	30,078	11,733
Prepayments for utilities	9,449	9,881
Prepaid income taxes	453	2,200
	<u>140,015</u>	<u>111,491</u>

11 Share capital and premium

(a) Authorised shares

	Number of authorized shares
At 1 January 2020 and 31 December 2020	8,000,000,000
At 1 January 2021 and 31 December 2021	8,000,000,000

(b) Issued shares

	Number of issued shares	Ordinary shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2020	3,234,192,999	1,320	6,441,069	—	6,442,389
Employee share option scheme					
— Exercise of options	5,670,000	2	18,133	—	18,135
Repurchase of shares (ii)	—	—	—	(97,533)	(97,533)
Conversion of the convertible bonds	14,420,059	6	49,543	—	49,549
At 31 December 2020	<u>3,254,283,058</u>	<u>1,328</u>	<u>6,508,745</u>	<u>(97,533)</u>	<u>6,412,540</u>
At 1 January 2021	3,254,283,058	1,328	6,508,745	(97,533)	6,412,540
Issuance of shares (i)	220,000,000	89	631,980	—	632,069
Repurchase of shares (ii)	—	—	—	(157,428)	(157,428)
At 31 December 2021	<u>3,474,283,058</u>	<u>1,417</u>	<u>7,140,725</u>	<u>(254,961)</u>	<u>6,887,181</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 31 December 2021, the Trustee on behalf of the Company, has repurchased up to 83,413,000 ordinary shares with total amount of RMB254,961,000.

As a trust set up solely for the share award scheme, the shares held by the trust is consolidated.

12 Other reserves

	Reorganisation reserve RMB'000	Statutory reserves (i) RMB'000	Share- based payments RMB'000	Deemed contribution from equity holders RMB'000	Acquisition of non-controlling interests RMB'000	Currency translation differences	Convertible bonds reserve RMB'000	Total RMB'000
At 1 January 2020	10,461	8,717	13,691	156,436	—	(598,029)	—	(408,724)
Employee share option scheme								
— Exercise of share options	—	—	(10,079)	—	—	—	—	(10,079)
Appropriation to statutory reserves (i)	—	3,590	—	—	—	—	—	3,590
Currency translation differences	—	—	—	—	—	(132,167)	—	(132,167)
At 31 December 2020	<u>10,461</u>	<u>12,307</u>	<u>3,612</u>	<u>156,436</u>	<u>—</u>	<u>(730,196)</u>	<u>—</u>	<u>(547,380)</u>
At 1 January 2021	10,461	12,307	3,612	156,436	—	(730,196)	—	(547,380)
Employee share option scheme								
— Expiry of share options	—	—	(3,612)	—	—	—	—	(3,612)
Appropriation to statutory reserves (i)	—	327	—	—	—	—	—	327
Acquisition of non-controlling interests	—	—	—	—	(68,854)	—	—	(68,854)
Change in fair value of convertible bonds from own credit risk (Note 15)	—	—	—	—	—	—	(92,354)	(92,354)
Recognition of convertible bonds reserve (Note 15)	—	—	—	—	—	—	548,433	548,433
Currency translation differences	—	—	—	—	—	203	—	203
At 31 December 2021	<u>10,461</u>	<u>12,634</u>	<u>—</u>	<u>156,436</u>	<u>(68,854)</u>	<u>(729,993)</u>	<u>456,079</u>	<u>(163,237)</u>

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

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand operations, or to increase the capital of the respective companies. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital.

13 Borrowings

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
— secured by assets (a)	4,106,058	3,321,126
— secured by assets and equity interest of certain subsidiaries (b)	860,839	1,387,676
Senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (d)	963,667	1,066,083
Long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries (e)	717,277	350,070
Asset-backed medium-term notes (“ABN”)		
— secured by assets (f)	448,229	448,160
Commercial mortgage backed securities (“CMBS”)		
— secured by assets (g)	480,620	477,840
Long-term borrowings from third parties		
— secured by equity interest of a certain subsidiary (h)	1,197,654	—
	8,774,344	7,050,955
Less: Long-term bank borrowings due within one year	(837,659)	(675,074)
Long-term borrowings from other financial institutions due within one year	(112,372)	(72,521)
Senior notes due within one year	(963,667)	(91,912)
ABN due within one year	(694)	(415)
CMBS due within one year	(661)	—
	6,859,291	6,211,033
Current		
Short-term bank borrowings		
— unsecured (c)	49,596	50,000
Current portion of long-term bank borrowings		
— secured by assets (a)	701,744	544,378
— secured by assets and equity interest of certain subsidiaries (b)	135,915	130,696
Current portion of senior notes		
— secured by guarantees and pledges provided by certain subsidiaries (d)	963,667	91,912
Current portion of long-term borrowings from other financial institutions		
— secured by assets and equity interests of certain subsidiaries (e)	112,372	72,521
Current portion of ABN		
— secured by assets (f)	694	415
Current portion of CMBS		
— secured by assets (g)	661	—
	1,964,649	889,922
Total borrowings	8,823,940	7,100,955

As at 31 December 2021, the Group has the following bank borrowings with details of securities:

(a)

Category*	Bank borrowings as at 31 December, RMB'000		Securities – Investment properties (Note 9), RMB'000		Securities – others, RMB'000
	2021	2020	2021	2020	
i	2,843,185	2,217,349	8,153,000	8,723,000	• Nil
ii	—	298,320	—	—	• Restricted deposits: nil (2020: 300,000)
iii	970,310	487,647	3,504,000	1,562,000	• Trade receivables: 9,312 (2020: 10,313) (Note 10)
iv	244,340	253,654	719,000	715,000	• Rental income from the investment properties
v	48,223	64,156	506,000	508,000	• Trade receivables: 1,627 (2020: 352) (Note 10)
	4,106,058	3,321,126			• Rental income from the investment properties
					• Restricted deposits: 20,036 (2020: 20,000)
					• Restricted deposits: nil (2020: 8,500)

(b)

Category*	Bank borrowings as at 31 December, RMB'000		Securities – Investment properties (Note 9), RMB'000		Securities – others, RMB'000
	2021	2020	2021	2020	
vi	353,048	913,473	346,000	2,001,000	• Equity interests in certain subsidiaries (2021 only)
vii	507,791	474,203	1,931,000	1,311,000	• Trade receivables 9,433 (2020: 685) (Note 10)
					• Rental income from the investment properties
					• Equity interests in certain subsidiaries
	860,839	1,387,676			

Category*: Borrowings are categorised by their means of securities.

(c) As at 31 December 2021, bank borrowings of RMB49,596,000 (31 December 2020: RMB50,000,000) were unsecured.

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

The remaining 2019 Exchange Notes of US\$14,380,000 not converted as of 31 December 2020 was fully repaid during 2021.

(e) As at 31 December 2021, borrowings from other financial institutions of RMB717,277,000 (31 December 2020: RMB350,070,000) were secured by the investment properties of the Group amounting to RMB2,095,000,000 (31 December 2020: RMB874,000,000) (Note 9), trade receivables amounting to RMB6,012,000 (31 December 2020: RMB4,698,000) (Note 10), the rental income generated from the lease of the investment properties during the terms of the borrowings, guarantee deposits amounting to RMB23,900,000 (31 December 2020: RMB4,400,000) (Note 10) and the Group’s equity interests in certain subsidiaries.

- (f) On 24 June 2019, Shanghai Yupei Group Co., Ltd. (“Shanghai Yupei”) issued ABN in the principal amount of RMB450,000,000 (adjusted after repurchase). The fund raised is for financing two project subsidiaries of the Group. The ABN is pledged by their investment properties amounting to RMB1,535,000,000 (31 December 2020: RMB1,497,000,000), trade receivables amounting to RMB568,000 (31 December 2020: RMB888,000), as well as the rental income generated from the lease of the investment properties. Shanghai Yupei and the Company also provided guarantees for the ABN. The ABN will mature on 24 June 2037, unless earlier redeemed in accordance with the terms thereof. The ABN bear interest at a rate of 6.5% per annum, and both principal and interest are payable quarterly.
- (g) On 7 August 2020, Shanghai Yupei issued commercial mortgage backed securities (the “CMBS”) in the principal amount of RMB500,000,000 (adjusted after repurchase). The fund raised is for financing two project subsidiaries of the Group. The CMBS is pledged with their investment properties amounting to RMB1,084,000,000 (31 December 2020: RMB1,070,000,000), trade receivables amounting to RMB392,000 (31 December 2020: RMB4,577,000), rental income generated from the lease of the investment properties. Shanghai Yupei and the Company also provided guarantees for the CMBS. The CMBS will mature on 4 May 2038 unless earlier redeemed in accordance with the terms thereof. The CMBS bear interest at a rate of 4.15% per annum, and both principal and interest are payable quarterly.
- (h) On 17 September 2021, the Group’s subsidiary — Yupei Wuxi Logistics Property Management Co., Ltd (“Yupei Wuxi BVI”). entered into a sale and purchase agreement (“Wuxi SPA”) with ACRE Magnolia Pte. Ltd. (“ACRE”) to sell 100% of its indirect held equity interest in Wuxi Yupei Warehousing Development Co., Ltd. (Wuxi Project Company), registered in the PRC, to ACRE for a total consideration of US\$199,859,316, equivalent to approximately RMB1,289 million and was subsequently adjusted to RMB1,300 million (the “Sale”). The Sale was completed on 5 October 2021.

On 22 November 2021, Yupei Wuxi BVI, the Company and ACRE entered into an Options and guarantee deed. Pursuant to the Options and guarantee deed, Yupei Wuxi BVI grants an option to ACRE to sell to it all interest in Wuxi Project Company (the “Put Option”) and ACRE grants an option to Yupei Wuxi BVI to purchase from it all interest in Wuxi Project Company (the “Call Option”). The option premium is USD1 for the Put Option and 2.75% of the sales consideration under the Wuxi SPA, payable semi-annually, for the Call Option. The exercise price is 115% and 117.5% of the sales consideration under the Wuxi SPA for the Put and Call Options, respectively. Both the Put and Call Options can be exercised starting from the fifth anniversary of the completion date of the Sale. Additionally, the Put Option will be exercisable at any time if the property and leasing management agreement (“PLMA”) entered into between Wuxi Project Company and Shanghai Yupei, pursuant to which the Group retains the risks and rewards in Wuxi Project Company, is terminated.

The Group regards the above-mentioned transactions as linked transactions and accounts for the linked transactions as an in-substance financing from ACRE with a coupon interest of 2.75% payable semi-annually and a redemption premium over par (i.e. the sales consideration) at maturity. The variation of the redemption premium by 2.5% of par depending on whether the Put or Call Option is exercised represents an embedded derivative of the in-substance loan. The financing from ACRE is secured by the Group’s entire equity interest in Yupei Wuxi HK and guaranteed by the Company pursuant to the guarantee deed.

Other than the convertible bonds which are designated at a fair value, the fair values of current and non-current borrowings and the carrying amounts measured at amortised cost were not materially different. The fair values are based on cash flows discounted using a rate based on the borrowing rate of borrowings with similar credit risk within level 3 of the fair value hierarchy.

At 31 December 2021 and 2020, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	6,560,025	5,923,949
US\$	2,263,915	1,177,006
	8,823,940	7,100,955

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Floating rate:		
— Expiring over one year	267,516	717,978
Fixed rate:		
— Expiring over one year	—	40,700
	267,516	758,678

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

As at 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,964,649	889,922
Between 1 and 2 years	638,739	2,009,408
Between 2 and 5 years	3,410,131	1,713,998
Over 5 years	2,810,421	2,487,627
	8,823,940	7,100,955

As at 31 December 2021, borrowings of RMB4,152,452,000 (31 December 2020: RMB3,467,344,000) bear fixed interest rates and the remaining borrowings bear floating interest rates.

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

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

14 Trade and other payables

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for construction costs	160,587	110,924
Rental deposits and other deposits payable to third parties	40,441	54,089
Prepaid rents from third parties	21,890	21,431
Rental deposits payable to related parties	26,943	32,574
Accrued operating expenses	38,551	28,972
Interest payable	—	28,031
Advances from a related party	—	23,295
Other taxes payable	25,504	26,675
Employee benefit payables	11,909	11,209
Prepaid rents from related parties	13,522	11,012
Contract termination compensation	—	4,000
Payables for commission fees and other expenses related to issuance of senior notes	1,680	3,330
Payables for commission fees and other expenses related to issuance of convertible bonds	374	2,127
Payables for land use rights commission fee	5,451	2,367
Payables for equity acquisition	1,993	—
Others	1,191	468
	350,036	360,504

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	148,548	103,553
1 year to 2 years	10,685	5,139
Over 2 years	1,354	2,232
	160,587	110,924

15 Convertible bonds

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
At 1 January	2,236,503	996,259
Issuance (i)	—	657,025
Conversion	—	(49,549)
Recognition of convertible bonds reserve (ii)	(548,433)	—
Payment of interest	(106,063)	(66,800)
Currency translation differences	(50,468)	(102,524)
Fair value change (iii)		
— Change in fair value from own credit risk	92,354	—
— Fair value (gains)/losses charged to profit or loss- net	(153,914)	802,092
	(61,560)	802,092
At 31 December	1,469,979	2,236,503
Non-Current	563,602	2,236,503
Current	906,377	—
At 31 December	1,469,979	2,236,503

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

The 2019 Convertible Bonds is presented as non-current as a waiver was obtained on 23 December 2021 from holders in respect of the redemption triggered by change of control.

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

- (ii) Pursuant to the anti-dilutive terms of the 2019 and 2020 Convertible Bonds, the placing of new shares resulted in an adjustment to the conversion price of the 2019 and 2020 Convertible Bonds, from HK\$3.19 to HK\$3.15 effective from 17 June 2021.

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

- (iii) Net fair value change of the convertible bonds is RMB61,560,000 of which fair value change of RMB92,354,000 of the convertible bonds that is attributable to changes in their own credit risk have been recorded as a debit in other comprehensive income. The remaining amount of change in the fair value of RMB153,914,000 have been accounted for as a gain in the profit or loss account.

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

	As at 31 December			
	2021	2020	2019	2020
	2019	2020	2019	2020
	Convertible	Convertible	Convertible	Convertible
	Bonds	Bonds	Bonds	Bonds
Conversion price	HK\$3.15	HK\$3.15	HK\$3.19	HK\$3.19
Share price	HK\$4.30	HK\$4.30	HK\$4.54	HK\$4.54
Share price volatility	29.13%	34.16%	34.18%	35.35%
The average volume-weighted average price (“VWAP”)	HK\$4.28	HK\$4.43	HK\$4.43	HK\$4.43
VWAP volatility	27.20%	31.00%	30.53%	32.54%
Coupon rate	6.95%	6.95%	6.95%	6.95%
Effective interest rate	25.09%	25.68%	35.62%	35.34%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free rate	1.04%	1.24%	0.38%	0.47%

The fair value of the remaining component of 2019 Convertible Bonds at 31 December 2021 is HK\$689,337,000 (equivalent to RMB563,602,000).

Were the effective interest rate used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2019 Convertible Bonds at 31 December 2021 would be approximately RMB10,361,000 lower or RMB10,696,000 higher. Were the share price volatility and VWAP volatility used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2019 Convertible Bonds at 31 December 2021 would be approximately RMB687,000 lower or RMB174,000 higher.

The fair values of the 2020 Convertible Bonds at 31 December 2021 is HK\$1,108,583,000 (equivalent to RMB906,377,000).

Were the effective interest rate used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2020 Convertible Bonds at 31 December 2021 would be approximately RMB1,889,000 lower or RMB1,917,000 higher. Were the share price volatility and VWAP volatility used in valuation model to be 5% higher/lower based on management estimates, the carrying value of the 2020 Convertible Bonds at 31 December 2021 would be approximately RMB1,358,000 higher or RMB1,250,000 lower.

16 Assets classified as held for sale

The Group held minority interests in several entities which indirectly held warehouse properties in Kunshan, Nanjing, HuiZhou and Tianjin.

The Group and the major shareholder of these four entities entered into sale and purchase agreements on 31 December 2021, under which, the Group has agreed to sell, and the major shareholder of the four project companies has agreed to purchase the Group’s equity interest in the four project companies. Impairment losses on initial classification as held for sale of RMB17,696,000 (based on the transaction price) has been recognised in “Other net gains”. The transaction was completed in January 2022.

On 17 August 2021, the Group entered into a call option agreement with China Logistics Supply Chain Holdings Co., Ltd. (the “**Optionholder**”) (an indirectly whollyowned company of Mr. Li Shifa, a director of the Company during the year), pursuant to which the Group granted to the Optionholder the right to purchase the 41% ownership interest in Shanghai Hongyu Logistics Co., Ltd. (“**Shanghai Hongyu**”) at exercise price of RMB277,658,000 at any time during the subsequent 18-month exercise period (the “**call option**”). As a result, investments in Shanghai Hongyu has been reclassified as held for sale since 17 August 2021.

The call option is accounted for as a financial liability. The fair value loss of the call option granted amounted to RMB77,756,000 was charged to profit or loss account for the year ended 31 December 2021.

Subsequent to the end of the reporting period on 3 February 2022, the Optionholder exercised the call option and since then, the Group did not hold any equity interest in Shanghai Hongyu.

BUSINESS REVIEW AND OUTLOOK

Business Overview

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

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

Major Operating Data of the Group's Logistics Parks

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

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

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

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

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

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

BREAKDOWN OF INVESTMENT PROPERTIES

Completed Logistics Parks

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

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Beijing Yupei Linhaitan Logistics Park, East Zhanggezhuang Village, Yongledian Town, Tongzhou District, Beijing, PRC	83,329	Logistics Facilities	Yes	804	821
Shanghai Yuhang Huangdu Logistics Park, No. 1000 Xiechun Road, Jiading District, Shanghai, PRC	35,083	Logistics Facilities	Yes	273	285
Suzhou Yupei Logistics Park, No. 28 Hengxinjing Road, Zhoushi Town, Kunshan, Jiangsu Province, PRC	118,613	Logistics Facilities	Yes	894	904
Wuhan Yupei Hannan Logistics Park, Wujin Industrial Park, Dongjing Sub-district, Hannan District, Wuhan, Hubei Province, PRC	73,098	Logistics Facilities	Yes	332	340
Shenyang Yupei Shenbei Logistics Park, No. 10 Hongye Street, Shenyang North New Area, Shenyang, Liaoning Province, PRC	84,621	Logistics Facilities	Yes	386	380
Shenyang Yupei Economic & Technological Development Zone Logistics Park, No. 17 Shenxi Jiudong Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning Province, PRC	40,262	Logistics Facilities	Yes	171	170

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Zhengzhou Yupei Huazhengdao Logistics Park, East of Yitong Street, South of Xida Road, West of Litong Street and North of Wuliu Avenue, Zhengzhou, Henan Province, PRC	31,166	Logistics Facilities	Yes	176	180
Chuzhou Yuhang Logistics Park Phase I & II, No. 8 Huayuan West Road, Langya District, Chuzhou, Anhui Province, PRC	63,568	Logistics Facilities	Yes	222	220
Wuhu Yupei Logistics Park, Sanshan District Logistics Park, Sanshan District, Wuhu, Anhui Province, PRC	90,304	Logistics Facilities	Yes	297	297
Zhengzhou Yupei Logistics Park, South of Gucheng South Road, West of Jinsha Avenue, North of Xida Road, East of Litong Road, Zhongmu County, Zhengzhou, Henan Province, PRC	112,081	Logistics Facilities	Yes	633	636
Tianjin Yupei Logistics Park, Southwestern corner of Xiangjiang Avenue and Bohai 26th Road, Tianjin Harbor Economic Area, Binhai New District, Tianjin, PRC	96,407	Logistics Facilities	Yes	508	506
Hefei Yuhang Logistics Park, Southeastern corner of Donghua Road and Xinhua Road, Cuozen Town, Feidong County, Hefei, Anhui Province, PRC	56,014	Logistics Facilities	Yes	301	308
Suzhou Yuqing Logistics Park, No. 8 Datong Road, Suzhou New District, Suzhou, Jiangsu Province, PRC	171,108	Logistics Facilities	Yes	1,124	1,146

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Changchun Yupei Logistics Park, Hangkong Street, North Area of Changchun National Hi-Tech Industrial Development Zone, Changchun, Jilin Province, PRC	63,347	Logistics Facilities	Yes	282	283
Chengdu Yuhang Logistics Park, No. 9 Minsheng Road, Xiangfu Town, Qingbaijiang District, Chengdu, Sichuan Province, PRC	113,132	Logistics Facilities	Yes	585	606
Wuxi Yupei Logistics Park — Phase I, Northwestern corner of Zoumatang West Road and Yongjun Road, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	61,609	Logistics Facilities	Yes	310	314
Jiaxing Yupei Logistics Park, West of Sidian Gang, North of Xinchang Road, Nanhu District, Jiaxing, Zhejiang Province, PRC	130,874	Logistics Facilities	Yes	787	784
Changzhou Yupei Logistics Park, Northwestern corner of Longcheng Avenue and Shengda Road, Luoxi Town, Xinbei District, Changzhou, Jiangsu Province, PRC	82,712	Logistics Facilities	Yes	359	371
Nantong Yupei Logistics Park, Northeastern corner of Dongfang Avenue and Wei 18th Road, Nantong Sutong Science & Technology Park, Nantong, Jiangsu Province, PRC	41,449	Logistics Facilities	Yes	162	163

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Suzhou Yuzhen Logistics Park, Northwestern corner of Wenchang Road and National Road 312, Suzhou New District, Suzhou, Jiangsu Province, PRC	175,434	Logistics Facilities	Yes	1,111	1,155
Harbin Yupei Logistics Park, East of Songhua Road, South of New Holland Co., Ltd, Harbin, Heilongjiang Province, PRC	80,948	Logistics Facilities	Yes	337	336
Wuxi Yupei Logistics Park — Phase II, Northeastern corner of Yongjun Road and Xidong Avenue, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	124,392	Logistics Facilities	Yes	610	614
Huai'an Yupei Logistics Park, No. 6 Kaixiang Road, Huai'an Economic & Technological Development Zone, Huai'an, Jiangsu Province, PRC	57,689	Logistics Facilities	Yes	199	197
Zhaoqing Yupei Logistics Park, Mafang Development Zone, Dasha Town, Sihui, Zhaoqing, Guangdong Province, PRC	104,857	Logistics Facilities	Yes	579	589
Dalian Yupei Logistics Park Phase I, East of Gaoxinyuan 10th Road, North of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC	139,785	Logistics Facilities	Yes	538	533

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Xiayang Yupei Logistics Park, North of Xinyuan Road and East of Weidong Road, Xiayang, Shaanxi Province, PRC	112,731	Logistics Facilities	Yes	579	563
Yupei Zhoushan E-commerce Logistics Industrial Park, Xingang Park, Zhoushan Economic Development Zone, Zhoushan, Zhejiang Province, PRC	91,057	Logistics Facilities	Yes	357	310
Kunming Yupei Logistics Park, Macheng Road, Chenggong District, Kunming, Yunnan Province, PRC	102,454	Logistics Facilities	Yes	501	509
Wuxi Yupei Logistics Park Phase III, Southwestern corner of Yongjun Road and Zoumatang West Road, Anzhen Town, Xishan District, Wuxi, Jiangsu Province, PRC	201,023	Logistics Facilities	Yes	976	986
Luohe Yupei Logistics Park, North of Xinluoshang Road and West of Yushan Road, Zhaoling District, Luohe, Henan Province, PRC	58,804	Logistics Facilities	Yes	214	215
Chongqing Yupei Xipeng Logistics Park, Section A, Xipeng Community, Jiulongpo District, Chongqing, PRC	151,443	Logistics Facilities	Yes	715	719
Yuhang Zhoushan Industrial Park, Dongsheng Community, Ganlan Town, Dinghai District, Zhoushan, Zhejiang Province, PRC	25,801	Logistics Facilities	Yes	104	99

Logistics Parks	Total GFA as at 31 December 2021 (sq.m.)	Use	Granted with land use rights by the PRC government	Property Valuation as at 31 December 2020 (in RMB million)	Property Valuation as at 31 December 2021 (in RMB million)
Dalian Yupei Logistics Park Phase II, East of Gaoxinyuan 12th Road, North of Gaoxinyuan 3rd Road, Jinzhou Economic and Technological Development Zone, Dalian, Liaoning Province, PRC	74,297	Logistics Facilities	Yes	289	282
Changsha Yupei Logistics Park, at the Intersection of Yuelu Avenue and Heye Road, Yuelu District, Changsha, Hunan Province, PRC	119,843	Logistics Facilities	Yes	647	661
Guiyang Yupei Logistics Park, Northwestern corner of Huayan Road and extension section of Guhuai Road, Huaxi District, Guiyang, Guizhou Province, PRC	169,437 ⁽¹⁾	Logistics Facilities	Yes	762	766
Qingdao Yuhang Logistics Park, North of Zongbao First Road, Jiaodong Air Economic Demonstrative Zone, Qingdao, Shandong Province, PRC	85,816 ⁽¹⁾	Logistics Facilities	Yes	415	412
Bengbu Yupei Logistics Park, No. 3278, Shuangdun Road, Huaishang District, Bengbu, Anhui Province, PRC	55,032 ⁽¹⁾	Logistics Facilities	Yes	167	230
Total	<u>3,479,620</u>			<u>17,706</u>	<u>17,890</u>

Note:

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

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

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

Note:

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

Logistics Parks Under Development

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

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

Land Held for Future Development

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

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

Industry Overview

Macroeconomic Situation

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

Logistics Industry

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

Logistics Property Industry

With the adjustment of China's economic structure and the reform of the circulation system, the formation of a large domestic market is accelerating, and the logistics property will also face the developmental situation of transformation and upgrading. The novel coronavirus pandemic has set higher requirements on the efficiency of logistics services, and traditional logistics property developers are confronted with transformation and upgrading. Logistics property enterprises are moving towards the 2.0 era of expansion into fields such as supply chain finance and intelligent supply chain. The structure of logistics assets was further optimized, and premium assets in higher-tier cities were sought after by the market players. The national “14th Five-Year” Plan expressly proposes to build a modern logistics system and related infrastructure, and strengthen the supporting

role of the circulation system. The financing of logistics facilities is diversified, and domestic public real estate investment trusts (“REITs”) is the pioneer to carry out pilot projects in the field of infrastructure. The establishment of public infrastructure REITs will allow the logistics property, a “pioneer” of pilot issue, to explore a new blue ocean.

Outlook

Economic Situation

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

Policy

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

Business Outlook

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

In 2022, the Group will cooperate deeply with JD.com to improve investment efficiency, engineering efficiency and business promotion efficiency through the powerful technology and service capabilities of its ecological network. On one hand, as a leading logistics facility provider in China, the Group will provide customers with premium logistics warehousing and park services, promote the upgrading of the logistics industry from traditional commercial and trade circulation logistics to comprehensive supply chain management services, development and construction,

investment asset management, integrated energy management and other comprehensive services. On the other hand, it will rely on new digital infrastructure to improve efficiency, realize technological empowerment, optimize logistics costs, and enhance the competitiveness of rent-out. Leveraging our enterprise digitalization capabilities induced by intelligent logistics and warehousing, we will accelerate the layout construction of the logistics infrastructure of “road+hub+network” and help build multi-level, three-dimensional and full-coverage logistics infrastructures including national logistics hubs, regional logistics parks, urban distribution centers as well as urban and rural terminal outlets. We will create value for the sustainable development of the company by developing a sound cycle of industrial ecology.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended 31 December				Year-on-Year
	2021		2020		Change
	RMB'000	%	RMB'000	%	%
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	905,035	100.0	798,637	100.0	13.3
Cost of sales	(229,830)	(25.4)	(180,380)	(22.6)	27.4
Gross profit	675,205	74.6	618,257	77.4	9.2
Selling and marketing expenses	(42,263)	(4.7)	(34,574)	(4.3)	22.2
Administrative expenses	(153,626)	(17.0)	(117,011)	(14.7)	31.3
Net impairment losses on financial assets	(5,577)	(0.6)	(1,532)	(0.2)	264.0
Other income	22,682	2.5	27,439	3.4	(17.3)
Fair value gains on investment properties — net	163,740	18.1	678,559	85.0	(75.9)
Fair value gains/(losses) on convertible bonds — net	153,914	17.0	(802,092)	(100.4)	(119.2)
Fair value losses on financial liabilities at FVPL	(87,055)	(9.6)	—	—	—
Other net gains	153,956	17.0	429,043	53.7	(64.1)
Operating profit	880,976	97.3	798,089	99.9	10.4
Finance income	24,646	2.7	35,717	4.5	(31.0)
Finance costs	(417,115)	(46.1)	(488,302)	(61.1)	(14.6)
Finance expenses — net	(392,469)	(43.4)	(452,585)	(56.7)	(13.3)
Share of (losses)/profits of investments accounted for using the equity method	(229,502)	(25.4)	9,920	1.2	(2,413.5)
Profit before income tax	259,005	28.6	355,424	44.5	(27.1)
Income tax expense	(233,218)	(25.8)	(288,804)	(36.2)	(19.2)
Profit for the year	25,787	2.8	66,620	8.3	(61.3)
(Loss)/Profit for the year attributable to:					
Owners of the Company	(2,813)	(0.3)	22,835	2.9	(112.3)
Non-controlling interests	28,600	3.2	43,785	5.5	(34.7)
	25,787	2.8	66,620	8.3	(61.3)
Other comprehensive income for the year, net of tax					
Items that will not be reclassified to profit or loss:					
Change in fair value of convertible bonds from own credit risk	(92,354)	(10.2)	—	—	—
Items that are or may be reclassified subsequently to profit or loss:					
Currency translation differences	203	0.0	(132,167)	(16.5)	(100.2)
	(92,151)	(10.2)	(132,167)	(16.5)	(30.3)
Total comprehensive income for the year	(66,364)	(7.3)	(65,547)	(8.2)	1.2

	For the year ended 31 December				Year-on-Year Change
	2021		2020		
	RMB'000	%	RMB'000	%	
Total comprehensive income for the year attributable to:					
Owners of the Company	(94,964)	(10.5)	(109,332)	(13.7)	(13.1)
Non-controlling interests	28,600	3.2	43,785	5.5	(34.7)
	<u>(66,364)</u>	<u>(7.3)</u>	<u>(65,547)</u>	<u>(8.2)</u>	<u>1.2</u>
(Losses)/Earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB)					
Basic	(0.0008)		0.0070		
Diluted	(0.0396)		0.0070		

Revenue

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Net Impairment Losses on Financial Assets

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

Other Income

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

Fair Value Gains on Investment Properties — Net

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

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

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

Fair Value Losses on Financial Liabilities at FVPL

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

Other Net Gains

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

Operating Profit

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

Finance Income

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

Finance Costs

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

Income Tax Expense

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

Profit for the Year

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

Non-IFRSs Measure

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

Core Net Profit

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

The Group's core net profit increased from RMB510.4 million in 2020 to RMB576.6 million in 2021. The increase was primarily due to the revenue growth as a result of the Group's nationwide expansion as well as economies of scale it achieved through the expansion process. As a percentage of the Group's revenue, the Group's core net profit remained relatively stable in 2021 at 63.7% as compared with 63.9% in 2020.

Liquidity and Capital Resources

In 2021, the Group financed its operations primarily through cash from the Group's operations, borrowings from banks, financial institutions and other third parties and the issuance of senior notes, convertible bonds, ABN and CMBS. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth and borrowings.

Cash and cash equivalents

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

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

Indebtedness

(a) Borrowings

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

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

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

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

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

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

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

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

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Floating rate:		
Expiring beyond one year	267,516	717,978
	<hr/>	<hr/>
Fixed rate:		
Expiring over one year	—	40,700
	<hr/>	<hr/>
	267,516	758,678
	<hr/> <hr/>	<hr/> <hr/>

Convertible Bonds

2019 Convertible Bonds

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

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

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

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

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

2020 Convertible Bonds

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

Gearing ratio

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

Capital expenditures

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

Contingent liabilities and guarantees

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

Charge on group assets

As at 31 December 2021, investment properties of the Group with a total fair value amount of RMB19,873.0 million (2020: RMB18,261.0 million) were pledged as collateral mortgaged to secure bank borrowings of the Group. See Note 9 set out in "Notes to the Financial Information" in this announcement for further details.

Funding and treasury policy

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

Material acquisitions and disposals and future plans for major investment

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

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

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

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

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

(b) Options and guarantee deed

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

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

Human resources

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

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

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

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

FINAL DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Listing Rules on the Stock Exchange, except for code provision A.2.1 of the

Code which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

During the Reporting Period, Mr. Li Shifa was the chairman, chief executive officer and president of the Company. With extensive experience in the logistics facilities industry, Mr. Li Shifa was responsible for formulating and leading the implementation of the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group and is instrumental to the growth and business expansion of the Group since its establishment in 2000. The Board considered that vesting the roles of chairman, chief executive officer and president in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. As at 31 December 2021, the Board comprised six executive Directors, two non-executive Directors and five independent non-executive Directors and therefore had a fairly strong independence element in its composition.

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

The Code has been subsequently amended and renamed as the “Corporate Governance Code” with effect from 1 January 2022, the requirements under the “Corporate Governance Code” applies to corporate governance reports for financial year commencing on or after 1 January 2022. As this announcement covers the year ended 31 December 2021, all the corporate governance principles and code provisions mentioned herein refer to those stated in the Code, instead of the “Corporate Governance Code”. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the “Corporate Governance Code”.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. Mr. Fu Bing has confirmed, following specific enquiry by the Company, that he has complied with the Model Code throughout the Reporting Period. All other existing Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code from the date of his/her appointment up to the date of this announcement.

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.

SUFFICIENCY OF PUBLIC FLOAT

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

at the date of this announcement; and (iii) an aggregate principal amount of HK\$775,050,000 of the 2020 Convertible Bonds, representing 100% of the aggregate outstanding principal amount of HK\$775,050,000 as at the date of this announcement.

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

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

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

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

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

SCOPE OF WORK OF KPMG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group’s auditor, KPMG, to the amounts set out in the Group’s audited consolidated financial statements for the Reporting Period. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this announcement.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. The principal duties of the Audit Committee include the review of the Group's financial controls, risk management and internal control systems, and financial and accounting policies and practices. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wei, Mr. Ji Jiagen and Ms. Zhai Xin. Mr. Li Wei is the chairman of the Audit Committee.

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

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

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

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

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises Mr. HU Wei, Mr. LI Chen, Ms. YANG Jing and Mr. DAI Weiwei as the executive Directors; Mr. FU Bing as the non-executive Director; and Ms. ZHAI Xin, Mr. LI Wei and Mr. JI Jiagen as the independent non-executive Directors.